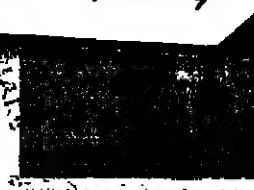




Democrats in New York
Are happy days here again?
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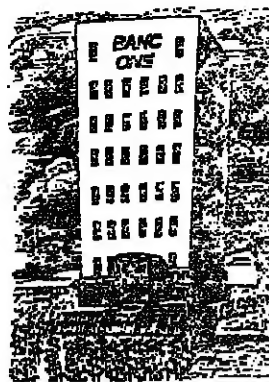


Conceal
White elephant shows its age
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European expansion proves its worth
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Goodbye Columbus
Banc One makes it big outside Ohio
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FINANCIAL TIMES

Monday July 13 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

Rabin picks 'dove' Peres to push for Mid-East peace

Yitzhak Rabin yesterday appointed Shimon Peres, a former premier and long-time political 'dove', as foreign minister in the new Israeli Labour-led coalition, which seeks an early breakthrough in Middle East peace talks.

The new government, with Mr Rabin as premier and a commitment to territorial compromises, replaces the hardline Likud party, which has been in government for 15 years. Page 3

Help for Sarajevo: Aid workers took relief supplies to the most devastated area of Sarajevo for the first time since the siege of the district began. Page 10; Serbs step up pressure in Kosovo. Page 5

Bramalea, debt-burdened developer controlled by Toronto's Brindman family, expects to withdraw from the North American Industrial property market and to retain only a handful of its Canadian office buildings as part of a last-ditch effort to maintain the confidence of its lenders. Page 12

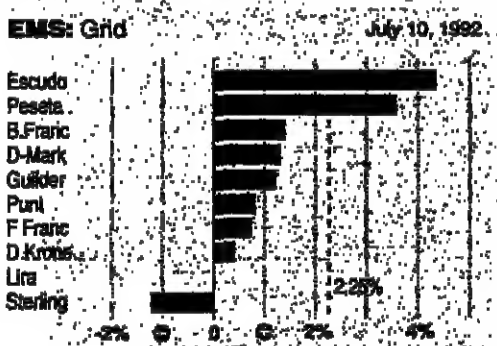
Budget appeals: Britain has invited its Community partners to go back to basics in assessing the European Commission's proposed five-year budget plan, by considering the package from a strict financial perspective. Page 2

Anti-corruption moves: Legislation to prevent political corruption will be put forward in the autumn, Pierre Berégovoy, the French prime minister, announced at the Socialist Party Congress in Bordeaux at the weekend. Page 2

ECI moves: Sheikh Khalid Bin Mahfouz, whose family controls the National Commercial Bank of Saudi Arabia, planned to gain control of the Bank of Credit and Commerce International in the mid-1990s, according to US court documents filed by the Federal Reserve Board. Page 3

Tests on Pope: Pope John Paul II was admitted to a Rome clinic yesterday for tests on an intestinal problem.

European Monetary System: Sterling starts the week firmly at the bottom of the EMS grid after a week in which it dropped 24 pence against the D-Mark. The pound's weakness is underlined by the 1.51 percentage point differential that separates it from the Italian lira, the next weakest currency. This suggests the pound will be at the bottom of the grid for some time to come. The Portuguese escudo remains the strongest currency, despite indications by the Bank of Portugal last week that it intends to soften interest rates. The market's eyes are on the Bundesbank this week, and speculation that it will tighten monetary policy again. Currencies. Page 21



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.50 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

Currency drops: Latvia says its own rouble, which has circulated in parallel with the Russian currency since the start of May, will become the only legal tender from July 20. Page 2

Sell-off: The former biggest distributor of electrical equipment, tools and materials to east German industry, Maschinenbau und Technikhandel, is to go on sale this week at a price expected to be over Dm150m (\$95m). Page 12

IMF warnings: Russia may not be able to complete its full standby agreement with the International Monetary Fund before late autumn, a senior IMF official has warned. Page 2

British Airways: A long-expected top management transition will be announced tomorrow at the airline's annual general meeting when Lord King, the 75-year-old chairman, is likely to indicate his intention to step down. Page 11

Hanson: Lord Hanson, chairman of the Anglo-US conglomerate, said the group planned to build its core businesses through acquisitions that were more likely to take place in the US and UK than in mainland Europe. Page 11

Joint action: Unions representing Ford workers across Europe are combining forces for the first time in dealings with the company. Page 5

Lamont backed: The UK government's determination to maintain its economic strategy was underlined by prime minister John Major as he gave unequivocal backing to the chancellor of the exchequer's refusal to consider a devaluation of sterling. Page 10; Editorial Comment, Page 8

Motor racing: Britain's Nigel Mansell, driving a Williams-Renault, won the British grand prix at Silverstone, to increase his lead in the race for the drivers' world championship. Page 5

FT Survey: The Survey of Japan, promised for today, will now be published in international editions of the Financial Times on Wednesday, July 15.

Germany 'walking tightrope' over money supply growth

By Andrew Fisher and David Marsh in Frankfurt

THE Bundesbank is 'walking a tightrope' between the need to curb money supply growth and pressure from Germany's European partners to avoid stifling an economic recovery, a senior Bundesbank official said at the weekend.

Germany's money supply has ballooned by nearly 40 per cent in the past two years with the absorption of east Germany, put-

ting the Bundesbank in a severe dilemma as its central council meets this week to review its monetary target for 1992.

The central bank, headed by Mr Helmut Schlesinger, is aware that drastic action to curb growth in the money supply would upset its EC partners. But in the last resort it is likely to give priority to restoring Germany's domestic monetary stability.

The senior official suggested that countries which thought

they were suffering from Germany's monetary policies could take the initiative by seeking realignment within the European Monetary System.

Pointing to occasional currency changes in the EMS - where the last full-scale realignment was in January 1987 - the official said: "We are not in a fixed exchange rate system yet."

Although he stopped short of calling outright for a realignment, he indicated that the Bundesbank believed market forces

might eventually force weaker currencies towards a devaluation.

The official did not mention EMS devaluation candidates by name. But he said the Bank of Italy had been intervening with "considerable" amounts to defend the lira last week.

The official warned that if other countries were worried about rising German inflation, the only way this could be compared would be through tight German interest rates. Bundesbank officials appear

undecided about what the council should do at Thursday's meeting. Despite the half-point rise in official interest rates in December which lifted the Lombard rate to 9.75 per cent and the discount rate to 8 per cent, domestic monetary conditions have become more uncertain and less responsive to Bundesbank action.

A further rise in the Lombard rate is unlikely because of the problems this would cause for other members of the EMS, who want to reduce rates. But the less

important discount rate could be increased or banks' access to central bank funds limited.

The Bundesbank has almost given up hope that this year's money supply target will be met, but hopes to create the conditions for slower growth in M3, the broad monetary aggregate, next year. M3 has risen at an annualised 9 per cent against a target range of between 3.5 and 5.5 per cent.

A year at hard labour. Page 2

Amato's government to sell off an initial 45% of assets

Rome moves to quicken privatisation

By Robert Graham in Rome

ITALY'S overblown public sector holdings are to be radically reorganised to accelerate privatisation.

IRI, the main public sector holding, ENI, the state oil concern, ENEL, the national electricity company, and INA, the national insurance institution, will today become joint stock companies under the tutelage of the Treasury.

Their total assets have been put provisionally at L50,000bn (\$32.6bn) and the new Italian government of Prof. Ciriaco De Mita intends to sell off an initial 45 per cent to the public.

The promise to 'sell the most far-reaching change in the nature of state ownership since Mussolini first created IRI in 1933 to act as the motor of public sector driven development. IRI companies alone account for over 4.5 per cent of GDP and they cover a range of activities from agriculture, banking, construction, defence, information technology, the media and shipbuilding.

The announcement at the weekend came in the wake of Friday's emergency budget for the remainder of 1992 which is aimed at finding an extra L30,000bn through spending cuts and increased revenues. The move should add greater credibility to the budgetary measures which were criticised for failing to make more significant spending cuts.

"We are on the edge of a precipice," said Mr Amato commenting on the measures in the budget.

His sense of urgency was underlined by the speed his government intends to tackle privatisation.

sation. The four state entities will have only 10 days to approve their new statutes.

The previous Andreotti administration spent more than a year arguing over how and what to privatise, while optimistically writing in a total of L21,000bn from privatisation income for 1991-2.

Until now the main block on privatisation has come from politicians who have encouraged state ownership as a means of continuing political patronage. The management of all state groups is politically appointed.

Mr Amato has also decided to wind up Efim, the industrial state holding whose debts of L5,000bn are nearly double its annual turnover.

Its situation has long been one of the most blatant examples of political patronage determining industrial strategy.

Foreign creditors account for L5,000bn of the debt and talks with them could determine how many of its activities such as the heavy loss-making aluminium sector will be closed down, or merely transferred to IRI.

By placing the four public entities under the tutelage of the Treasury, the government intends to signal to the markets that it is seeking serious financial solutions to the complex issues raised by privatisation. The Treasury has the best technical team and has been working exhaustively on privatisation schemes over the past year.

It is expected to create two new holding companies at least temporarily: one will hold the shares

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Editorial comment, Page 8

Germany to sell off stake in Airbus four years early

By Quentin Peel in Bonn and Andrew Hill in Brussels

THE GERMAN government has agreed to sell its remaining 29 per cent stake in Deutsche Airbus, the German partner in the European Airbus consortium, to Daimler-Benz, four years ahead of the agreed date.

In exchange, Daimler-Benz has accepted the cancellation of its lucrative currency insurance deal with the government, which protected Deutsche Airbus from excessive currency fluctuations.

The agreement means that Daimler-Benz, the largest industrial group in Germany, will own 100 per cent of Deutsche Airbus through its Deutsche Aerospace subsidiary. The company is planning a further reorganisation of all its aerospace interests by October and Deutsche Airbus will be fully incorporated into financial results.

Cancellation of the currency insurance deal, which cost the German government DM580m (\$383m) in 1990, will remove the grounds for the US complaint of unfair subsidy to the General

Agreement on Tariffs and Trade, upheld by a GATT disputes panel in January. A further DM640m had been allowed for in the state budgets up to 1993, when Daimler was originally expected to take 100 per cent control.

The currency deal meant that the German government covered potential exchange rate losses on Airbus sales, if the dollar fell below DM1.60, without charging any premium for the insurance. The US government alleged that the payments amounted to a subsidy of \$2.5m per Airbus delivered in 1990.

The agreement with Daimler was disclosed at the weekend by Mr Erich Riedl, the state secretary responsible for the aerospace industry in the Bonn Economics Ministry. He said it should be signed by the end of September, thus completing the privatisation of the German aerospace industry.

Meanwhile, the European Community is today expected to ratify the long-awaited EC-US deal to limit direct and indirect government support for new commercial airliner projects.

Finance ministers, meeting in Brussels, should rubber-stamp the agreement, which was reached on April 1 after some six years of on-off talks between the two sides. In spite of early rumblings of discontent in Washington, Brussels officials now believe the accord is safe from political tampering.

The EC's ratification will come less than a week after United Airlines, the second largest US carrier, placed a \$5bn order with Airbus Industrie, the EC manufacturing consortium, for up to 100 A320 jets.

There were fears the deal might revive controversy over government subsidies to Airbus. The EC manufacturer won the order with an attractive financing package in the face of fierce competition from United's traditional US supplier, Boeing.

Disputes between the US and EC have centred on accusations that Airbus receives direct development aid from EC governments, and that US manufacturers benefit from support disguised as military or space research grants.

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Happy days: Hillary Clinton catches New York's upbeat mood with husband Bill ahead of the Democratic National Convention

Perot gaffes as Clinton thrives

By George Graham in Washington

GOVERNOR Bill Clinton arrived in New York at the weekend for the Democratic party convention, fresh from a demonstration of why, notwithstanding the reluctance of former presidential hopeful Mr Jesse Jackson, he seems likely to win an overwhelming majority of black and other minority votes in November's presidential election.

Mr Jackson, who has clashed repeatedly with Mr Clinton over the past few months, offered a grudging endorsement of the Clinton campaign on Saturday night, but on Sunday he went on to make clear that his differences with the Arkansas governor remained unresolved.

However, Mr Clinton's warm reception at a meeting of the National Association for the Advancement of Colored People (NAACP), one of the leading

black and minority rights advocacy groups in the US, suggested that Mr Jackson, though clearly still influential with African-American voters, does not speak for them all.

Mr Clinton and Senator Al Gore of Tennessee, his vice-presidential running mate, received a generally enthusiastic response from the NAACP audience in Nashville on Saturday, contrasting with a cool welcome for Mr Ross Perot, the Texas billionaire who appears all but certain to run as an independent candidate. In a speech to the NAACP dele-

gates, Mr Perot recounted how well his father had treated his poor black employees and repeatedly referred to "your people". Some black leaders at the meeting called the comments condescending.

Mr Perot later apologised for his language, but several NAACP delegates said he had betrayed his lack of experience with minorities.

Mr Jackson, who has publicly flirted with the idea of backing Mr Perot, in spite of a clear rebuff from the Perot campaign, was in a more forgiving mood

yesterday towards the Texan independent than he has been towards Governor Clinton. "That gaffe was not intentional," he said.

Senator Gore also said Mr Perot deserved the benefit of the doubt.

But Governor Ann Richards of Texas, who is chairing this week's Democratic convention.

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IMF warns of delay in deal with Russia

By George Graham
in Washington

RUSSIA may not be able to complete its full standby agreement with the International Monetary Fund before late autumn, a senior IMF official has warned.

After negotiating a preliminary agreement with the Fund which will allow the release of a first \$1bn (£533.5m) credit tranche, Mr Yegor Gaidar, the Russian prime minister, had hoped to complete the standby agreement in October.

But IMF officials have said they will need some time to complete negotiations on the standby after arrangements for a rouble zone, including several of the former Soviet republics as well as Russia, have been put in place.

"We have no experience in the IMF of a standby negotiated in one day or two," a senior official said.

However, the officials added that it should be possible to complete the standby and move on to the third phase of Russia's IMF programme with the installation of a \$6bn rouble stabilisation fund early next year.

Fund officials are encouraged by the precedent set by

the Baltic republic of Estonia for a "civilised exit" from the rouble zone, and say they now want to create the conditions for "civilised coexistence" between Russia and those republics, such as Belarus and Kazakhstan, which are considering remaining within the rouble zone.

While the deal for a preliminary \$1bn programme negotiated a week ago between Mr Gaidar and Mr Michel Camdessus, the IMF managing director, was viewed in some quarters as a concession by the Fund, given its original demands for radical economic reform, IMF officials said they had a "guarded optimism" about the Russian government's commitment to reform.

"In view of the strength of the commitments of the Russians and their friends we believe that there are enough assurances to go ahead," a senior official said.

Fund officials warned, however, that the international community had not yet begun to address Russia's financing needs for 1993. They expect a financing gap next year of roughly the same size as this year's, which prompted a combined \$34bn western aid package.

Second Baltic state to leave rouble zone

By Philippe LeGros in Tallinn

LATVIA has announced that its own rouble, which has circulated in parallel with the Russian currency since the start of May, will become the only legal tender from July 30.

The Baltic state will thus be the second country to leave the rouble zone, after Estonia, which introduced its own currency, the kroon, on June 20. The Latvian rouble will only be temporary, as Latvia still intends to introduce its own currency, the lat, this autumn. Ukraine and Lithuania are also expected to introduce their own currencies within the next few months.

The Bank of Latvia does not expect problems with the clearing of payments with Russia, as an agreement was reached

at the end of last week with the Russian central bank. Mr Yegor Gaidar, the acting Russian prime minister, however, said he had not been consulted about the move.

The Latvian rouble, unlike the Estonian kroon, is backed only by the government's authority. Dubbed "white money" by the Latvians, it will be convertible into Russian roubles at par, though not officially into hard currency.

Mr Einars Repse, central bank president, said Estonia's introduction of the kroon had caused an overwhelming influx into Latvia of Russian roubles. This had revived inflation, which had been squeezed to under 250 per cent by a shortage of cash roubles and the freezing of Latvian bank accounts in Moscow.



Bundesbank president Helmut Schlesinger (right) with finance minister Theo Waigel at last year's International Monetary Fund meeting in Bangkok

Schlesinger faces a year at hard labour

Bundesbank chief's extra term will be tough, write David Marsh and Andrew Fisher

IF HISTORY had not dictated otherwise, Mr Helmut Schlesinger would now be within a few weeks of graceful retirement after four decades of honourable achievement at the German Bundesbank.

In fact, Mr Schlesinger, unexpectedly made the bank's president last summer after the resignation of Mr Karl Otto Pöhl, will be staying on for another 12 months beyond the normal retirement age of 68, which he reaches in September. It is likely to be a year of grace, but of the central banker's equivalent of a night out on the wrong side of Mount Eiger.

Mr Schlesinger faces the toughest decision of his long career when he and the rest of the Bundesbank's policy-making council decide on Thursday what to do about this year's runaway money supply growth.

Some form of credit tightening is expected as a signal that the Bundesbank is taking seriously the 9 per cent increase in the M3 money supply for 1992 - double the central bank's 3.5-5.5 per cent target.

Under the unprecedented strains provoked by German unification - the real reason for Mr Pöhl's exit - Germany's financial machinery is running haywire. The worries are compounded by the Bundesbank's analysis that there is "no recognisable weakening" of inflation, which is running at 4.3 per cent, against the central bank's longer-term target of 2 per cent.

Thursday's decision will have an important influence on the prospect of a realignment of exchange rates within the European Monetary System - an option thought increasingly plausible within the Bundesbank.

Tightening action would not simply send disruptive ripples around Europe, where nearly every other country - led by Britain and France - wants to cut interest rates to bolster sluggish domestic economies. The outcome of the council's deliberations will also spill over to the US and Japan, where the central banks have been cutting interest rates to try to speed up emergence from recession.

Mr Kurt Biedenkopf, prime minister of Saxony, yesterday warned Europe to redirect spending priorities because of the need to overcome eastern Europe's economic difficulties.

Mr Biedenkopf, a powerful spokesman for the German states' attempts to wield influence over the Maastricht treaty, also voiced misgivings about whether European monetary union (Emu) would come into effect at the time foreseen by the Maastricht treaty.

During a visit to London, Mr Biedenkopf said the German states would ratify the treaty only if the government

fulfilled certain conditions on transfers of powers to the EC. Among these conditions, the states were looking closely at resource transfers to poorer EC countries as well as at the "automatic" timetable for Emu.

Lower-income countries like Spain would have to accept a longer period in which to catch up economically with more prosperous EC states. "If you overdo [income] equalisation in Europe you're going to kill Europe. It won't work," he said.

Mr Schlesinger himself does not know exactly what the central bank will do. The outcome of Thursday morning's meeting will depend on several hours of tense debate within the 18-man council and, at the end, a show of hands. The Bundesbank's statutorily independent policy-making body, which sets interest rates not just for Germany but, effectively, for the rest of Europe, is accountable to no one but itself. But, in its internal deliberations, the council is very democratic. It takes decisions on the basis of "one man, one vote".

The psychology of the council, mixing men of very different character, ability and political leanings, is highly complex. Several leading members on the council have a strong streak of rebelliousness - and some have no particular affection for Mr Schlesinger. The president is uncomfortably aware that, if he makes any public statement prejudging the outcome of the council meeting, he may end up producing a result opposite to the one he intends.

For fear of adding to speculation, the Bundesbank does not even want to announce yet whether a press conference will be held after the meeting.

Whatever course of action the Bundesbank takes, Mr Schlesinger knows he will be criticised. For several reasons, the bank is at a watershed.

For the first time since it brought in monetary targets 18 years ago, it faces a drastic overshooting of its objectives for both inflation and the money supply. In

previous periods when the Bundesbank has significantly exceeded its monetary goals (1977-78 and 1986-87) inflation was well under control and the current account (unlike in post-unitary Germany) in healthy surplus.

The overshooting marks the first time that serious doubts have arisen about the significance of the Bundesbank's monetary aggregates. Unification - above all the huge public subsidies flowing from west to east Germany - have blunted the cutting edge of monetary policy. M3 has been artificially inflated by high short-term interest rates attracting savings from longer-term investments, as well as by the build-up of D-Mark assets in eastern Europe. But the threat to the Bundesbank's credibility is all the greater because Mr Schlesinger, architect of the monetary targets introduced in 1974, has for years been the main protagonist of the bank's anti-inflation policy.

During his years of anti-inflation battling, the Bundesbank has never faced such a difficult international environment. In the Bundesbank's two previous main bouts of credit tightening (1972-73 and 1979-81) the central bank was often unpopular, above all, at home, but was acting within a broad international consensus. This time round, however, because of the extraordinary post-unification position of the German economy, the Bundesbank is out on a limb. Each of its interest rate increases last year - in January,

August and December - provoked progressively greater impatience from Germany's foreign partners.

Most delicate of all is the effect that Bundesbank tightening could have on the Maastricht treaty on economic and monetary union (Emu). The decision in December, just a week after the Maastricht summit, to raise discount and Lombard rates to their highest since the 1930s was already widely conceived as a sign of the central bank's hostility to the treaty. Outside Germany, action on Thursday would be construed similarly.

In a deliberate change of role from his previous hawkishness, Mr Schlesinger has been doing his best, both in public speeches and private conversations with central bankers, to show emotional over-Emu. On the international central bankers' circuit, he rates as a much more patient figure than Mr Pöhl. However, there is no doubt of his fundamental hostility to a premature abandonment of the D-Mark. Following the Danish "no" to Maastricht in June, Bundesbank officials have been talking more openly of the possibility that Emu may not come into effect.

Mr Schlesinger is no stranger to criticism of the bank's monetary policies. He regards some of it simply as proof that he is doing his duty. The barbs which wound him most, however, are those from domestic German monetarists suggesting that the Bundesbank has consistently acted too late during the past few years in tightening money to combat growing signs of inflation.

As he seeks a path through the coming pressures, Mr Schlesinger will instinctively head towards the road which will provide the best chance for low German inflation. All other considerations - from the future of Maastricht to the re-election of President George Bush - will loom less large.

His inner convictions, however, are unlikely to guarantee Mr Schlesinger undisturbed sleep during the next few nights. And, with still a year of his presidency left, he may find after Thursday that the steepest part of his uphill march is only just beginning.

'Tulip' failed to bloom for Stasi dirt diggers

By Quentin Peel in Bonn

IT had to happen: somebody somewhere has found Mr Hans-Dietrich Genscher, Germany's erstwhile all-but-immortal foreign minister, in the files of East Germany's former Ministry of State Security, the feared Stasi.

However, there is a nice twist to this particular story of the peridy of the East German secret police.

According to Der Spiegel, Germany's fearlessly investigative and occasionally muck-raking weekly magazine, former Stasi officers have passed to the (west) German secret service the devastating information that Mr Genscher was known in the Stasi files as "Tulip".

Or rather... that was the code-name for a purported "laborator" of the all-powerful East German spy network, deliberately made to look like the long-time leader of the Free Democrats in West Germany.

The magazine does not suggest for a moment that Mr Genscher, whose name has been frequently mentioned as a possible successor to Mr Richard von Weizsäcker as the next state president, was actually a collaborator.

The whole purpose, according to Der Spiegel, was to prepare the ground for a potential campaign to discredit Mr Genscher when the time was ripe.

The file was fleshed out with details from the genuine career of an East German citizen, which were then simply applied to Mr Genscher.

The former foreign minister, who retired without real explanation in April after 18 years in office, was always seen as a potential and indeed ideal target for the East German security services.

He comes from the east, having been born in Halle, which he left for the west in 1952. Thereafter he always remained a frequent visitor to friends and relations there.

The "Tulip" file was finally destroyed by the East Germans at the beginning of the 1980s, it says. The reason was that Mr Genscher, a lifelong proponent of détente, "was not pursuing any policy contrary to the goals of the GDR".



Genscher: target of planned Stasi campaign

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Fire threat to N-arms doubted

By Robert Taylor
in Stockholm and
Leyla Boulton in Moscow

FEARS that forest fires in Latvia might threaten Russian nuclear bases were being played down yesterday by Swedish experts who have been assessing the situation.

The fires, following two months of hot, dry weather, affect three main areas, one of them Garkame, where ammunition dumps of the former Soviet army lie.

Latvia's defence minister, Mr Talav Junzis, had said it was conceivable that nuclear warheads could be under threat from the blazes. But the Swedish experts questioned whether there were any nuclear weapons in the former Soviet republic.

Mr Tor Larsson, an expert on nuclear weapons, said that even if some nuclear weapons were stockpiled there he doubted whether the fires would threaten them.

He pointed out that nuclear weapons are stored under the ground and would never become hot enough through the concrete and earth to explode. "It would need a temperature of over 1,000 degrees," he said.

The Russian government's official position is that all tactical nuclear weapons have been withdrawn from the Baltics and other outlying republics, leaving only Belarus, Ukraine and Kazakhstan in possession of strategic nuclear weapons.

In Latvia, the prime minister's secretary said the country expected imminent help from Finland and Sweden to help put out the fires.

Britain targets EC spending

By Andrew Hill in Brussels

BRITAIN has invited its Community partners to go back to basics in assessing the European Commission's proposed five-year budget plan.

Mr Norman Lamont, UK chancellor of the Exchequer, has sent his EC counterparts a letter asking them to consider the Commission's package from a strict financial perspective; to compare the one-third revenue increase requested by Brussels with individual member states' growth forecasts.

In Brussels today Mr Lamont will chair the first meeting of finance ministers under the British presidency of the EC. It will also be the first time the "Delors II" package of budget proposals has been discussed at this level since EC leaders' inconclusive debate at last month's Lisbon summit.

Further discussion of binding rates of value added tax and excise duty - on which finance ministers nearly reached agreement two weeks ago - has been postponed until September, because some ministers cannot attend today.

In his letter, the chancellor has also asked ministers to consider whether the cost-effectiveness of existing EC spending justifies a substantial increase in future expenditure.

"As finance ministers they would not doubt expect a lot of attention to be paid to the scope for offsetting savings from existing programmes," said a senior British official last week.

Budget debates in the first half of the year have already opened deep divisions between rich member states - led by Britain and Germany - and poorer countries, over the extent of "cohesion" funding for the latter.

Britain, which will have to search for a compromise during its presidency, wants to intensify the role of finance ministers in considering the budget proposals. But at Li-

bon, other leaders made clear to Mr John Major, UK prime minister, that foreign ministers would take the lead in the budget discussions.

Britain expects the period from July to the end of September will be spent analysing "Delors II". The presidency has submitted an 85-point questionnaire on this plan to senior national officials in Brussels to help the discussion. According to British officials, the debate will become more political at meetings of foreign and finance ministers in October and November, in the hope of reaching an agreement at December's Edinburgh summit.

It is widely believed that the Socialist party was in the past involved in illicit money-raising schemes, and Mr Emmanuel makes no attempt to deny it since he was treasurer of the party from July 1986 to January 1992, he must be formally responsible. But he might be covered by the political amnesty designed to clear the decks for new, tighter party financing laws.

A charge of personal enrichment would be much more serious, and could lead to imprisonment. To counter any such innuendo, Mr Emmanuel has written to the Justice Ministry asking for a preliminary inquiry into his personal finances.

Many of his party colleagues have publicly declared their faith that Mr Emmanuel could not be guilty of any personal enrichment.

French promised corruption curbs

By Ian Davidson in Paris

NEW LEGISLATION to prevent political corruption will be put forward in the autumn, Mr Pierre Bérégovoy, the French prime minister, announced at the weekend at the Socialist party congress in Bordeaux.

His move followed a newspaper report last Thursday that Mr Henri Emmanuel, the Socialist president of the national assembly, was to be charged with political corruption, allegedly in connection with the long-running investigation into previous illicit financing methods of the Socialist party.

The report, carried in Le Monde, has not been confirmed by any official source. But the story has acquired a political life of its own, and has caused alarm across the French political spectrum.

Some Socialists have not hesitated to denounce the timing of the leak as a deliberate attempt to destabilise the party just before its congress and the long summer holidays.

Mr Renaud van Ruymbeke, the investigating magistrate based in Rennes, has denied any political ulterior motive in the case. But he has also declined to confirm or deny the substance of the Le Monde report, and he has now gone on holiday for a month.

The report did not make clear whether Mr Emmanuel was supposed to be charged for illicit party financing or for

personal corruption.

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NEWS: INTERNATIONAL

'Dove' to seek Mideast talks breakthrough

Rabin names Peres as foreign minister

By Hugh Corbrey in Jerusalem

MR YITZHAK RABIN yesterday appointed Mr Shimon Peres, a former premier and long-time political "dove", as foreign minister in the new Israeli Labour-led coalition, which seeks an early breakthrough in Middle East peace talks. The new government, with Mr Rabin as premier, is due to be officially endorsed at a session of the Knesset this afternoon, following Labour's June 23 general election victory. Labour, with its commitment to territorial compromise, replaces the hardline Likud party, which has been in government for 15 years.



Peres: new appointments

Years of often bitter personal rivalry did not prevent Mr Rabin from offering the post of foreign minister to the highly experienced Mr Peres, whom he ousted as Labour leader earlier this year. Mr Peres's approach to the peace talks is much less cautious than that of Mr Rabin. But the new prime minister, who will also be defence minister, is to keep direct control over negotiations with the Palestinians on an interim agreement on self-rule in the occupied West Bank and Gaza Strip. Mr Peres will have responsibility for the parallel multilateral talks with Arab countries.

Mr Rabin appointed as finance minister Mr Avraham

a second religious party and Tzomet, a right-wing group. Mr Rabin's priorities are to mend relations with the US, to speed the peace talks, and to stimulate economic growth to combat record unemployment, blighted by mass immigration from the former Soviet Union. He hopes to travel to the US by early August to see President Bush. Peace talks, which Mr Rabin wants to move into continuous session, are likely to resume in Rome by September.

Mr Rabin is anxious to secure \$10bn (£5.2bn) in US loan guarantees to aid immigrant absorption, withheld by Washington because Likud refused to freeze Jewish settlements. Mr William Harrop, US ambassador in Israel, said he hoped the new government's policies would make the release of some guarantees possible. But the issue is by no means resolved. Mr Rabin has been careful not to promise a complete settlement freeze, though he favours a freeze on what he calls "political" settlements. Mrs Hanan Ashrawi, Palestinian spokeswoman, yesterday warned the US not to ease the terms it originally attached to the guarantees.

Mr Rabin regards the guarantees as vital to revitalising the economy. Mr Harrop cautioned the new government not to regard them as a panacea, saying it must push on with liberalising the economy.

S African protest campaign speeds up

By Michael Holman in Johannesburg

SOUTH AFRICA'S "mass action" campaign gathers momentum today when trades union leaders are due to hold a protest march on government offices in Pretoria.

Police have given permission for the march, seen as an important test for both sides in a tense political climate, and in the run-up to the United Nations Security Council debate this Wednesday. Labour leaders and their allies will be looking for a turnout that would give credence to the "mass action" campaign designed to force President F.W. de Klerk to concede an early transfer of power to the country's black majority. The government will want to show that it can keep control of the streets while allowing dissent.

The march is organised by the Congress of South African Trade Unions (Cosatu), the country's most powerful labour federation, and supported by the African National Congress (ANC) and the South African Communist Party (SACP).

Mr Nelson Mandela, the ANC president, is in New York, where he and other political leaders, including Mr P.W. Botha, the South African foreign minister, will address the UN Security Council.

Mr Botha, in a speech over the weekend before flying to New York, said the government wished to discuss the ANC's grievances. But he went on: "I hope they will also realise that without power sharing there will be no peace."

Sheikh 'wanted BCCI control'

Mark Nicholson and Richard Donkin on how the bank was helped



SHEIKH Khalid Bin Mahfouz, whose family controls the National Commercial Bank (NCB) of Saudi Arabia, planned to gain control of the Bank of Credit and Commerce International during the mid-1980s, according to court documents filed in the US by the Federal Reserve Board.

The documents, filed in a series of actions that have led to the freezing of the sheikh's US assets and a \$170m (£85m) fine, show the extent to which, according to the Fed, Sheikh Khalid helped to prop up the ailing BCCI when it was facing a liquidity crisis. They also show how the sheikh's apparent co-operation enabled BCCI to dilute some of its worst debts using depositors' money, thereby appeasing its auditors.

Negotiations on the takeover plan were held with Mr Agha Hasan Abedi, BCCI's founder, in the spring of 1986, according to the documents. When the talks reached an impasse, Sheikh Khalid was persuaded to settle for the acquisition of 30 per cent interests in both BCCI and in CCAH, the holding company of First American Bankshares. This would give him holdings in BCCI roughly equal to those of the ruling family of Abu Dhabi, the largest shareholder.

Sheikh Khalid struck a deal that would give him the shareholdings for something over \$1bn. According to the documents, "Mahfouz regarded his purchase of both CCAH and BCCI shares as a single transaction." The holdings were acquired through a series of deals and arrangements designed to help BCCI overcome its financial problems.

The deals were arranged because the bank was not ready to issue new shares or capital notes and Sheikh Khalid was unwilling to inject new capital without them.

In the first of these arrangements, he agreed to borrow \$270m from BCCI's Bahrain branch, secured only by the as-yet-unissued shares and notes. Against the loan he deposited the same amount in BCCI, thereby helping to improve the bank's liquidity. Mr Haroon Rashid Kahlon, one of his assistants, working with a firm of lawyers, drew up the procurement deed for the shares, to be held by five Bermuda

disbursements: \$300m for BCCI Holdings capital notes; \$163m to repay the loan from BCCI Bahrain; \$135m to the account of Wabed Pharoan at BCCI, the brother of Ghalib Pharoan, a Saudi businessman (paid as consideration for Pharoan-held shares in BCCI); and \$135m for the CCAH shares.

The following September NCB paid \$256m for a further tranche of CCAH shares, giving him a 28.7 stake in the holding company. The same month NCB transferred \$160m to BCCI to buy 4m shares in BCCI Holdings. The CCAH transaction later appeared on NCB's books as two loans, one

shares were all sold to ICG Overseas, the Cayman-based BCCI affiliate. The Fed says that while he insisted in disposing of his holding, he agreed to keep his decision a secret and to remain as a director of BCCI until July 1989.

By the time the Bank of England moved to close down BCCI in July 1991, Sheikh Khalid was no longer a BCCI shareholder but NCB was still holding \$330m of virtually worthless capital notes from BCCI. While the NCB itself may have been a loser as a result of the deals, the Fed contends Sheikh Khalid made a personal financial gain from the whole episode of \$120m. The documents also outline other occasions where Sheikh Khalid used NCB funds to get BCCI out of trouble when BCCI faced concerns from auditors.

Sheikh Khalid, who resigned last week as chief operating officer of NCB to fight the charges, has called them "unwarranted and ill-advised". In a statement last week he said that "at all times I acted on advice and with the assistance of respected legal counsel to ensure that I complied with US laws and regulations in regard to my investments in BCCI and First American".

The sheikh said he had voluntarily met all officials he was asked to, had been "forthright" in answering their questions and supplied them with "thousands of pages" of documents. "The ill-founded allegations made against me are based on forged documents and the actions of others. Further, they are based on unreliable, and possibly even compromised, witnesses." The bank itself also called the charges "devoid of any substance" and denied NCB at any time owned or bought any shares in CCAH.

NEWS IN BRIEF

Algerian Moslem leaders sent for trial

THE two paramount leaders of Algeria's major Moslem fundamentalist party, the Islamic Salvation Front (FIS), were committed to trial yesterday at the military court in Blida, south of Algiers, writes Francis Ghille.

Mr Abassi Madani, 61, and Mr Ali Benhadj, 35, face the death penalty if convicted on charges alleging conspiracy against the state.

They, five other FIS officials and their lawyers, walked out of the court after failing to obtain permission for the trial to be transferred to a civil court. Foreign journalists were banned, as they were two weeks ago when the trial was initially due to start.

Mr Madani and Mr Benhadj, who was renowned for his fire-and-brimstone speeches, were arrested in June 1991 after FIS-led riots protesting against alleged constituency gerrymandering stalled plans for Algeria's first multi-party elections.

Jordan-Germany loan agreements

Germany and Jordan signed two agreements yesterday under which debt-burdened Amman will get DM\$57m (£12.7m) in commodity loans to support the country's trade balance. Reuter reports from Amman.

An embassy spokesman said under the first accord, Amman would get DM\$20m to cover imports of vital commodities needed for civilian use, excluding luxury or military goods. Under the second agreement, Jordan will get DM\$37m to finance imports needed by Jordan's agricultural sector.

Jordan is among the recipients of the largest per capita amount of German aid. Amman has received a total of DM1.63bn, most of it in financial aid, since a bilateral economic co-operation programme began in 1955.

Malawi democracy call

Free opposition leader Chakufwa Chihana said yesterday he would continue campaigning for democracy in Malawi even if it meant a death sentence for sedition. AP reports from Lusaka.

Mr Chihana, 52, head of the opposition Democratic Alliance, was released on bail after being held for three months without charge. He was arrested when he returned home from a conference in Zambia at which he called for a pro-democracy congress in Malawi.

Patten urges progress on airport

Mr Chris Patten, Hong Kong's new governor, yesterday called for an end to the disagreements over the colony's new airport and underlined the need to move ahead with the project "as soon as possible", agencies report.

"It is not in the interests of the UK government in particular to build the airport, though we want to do what is best for Hong Kong," he said. "It is above all in the interests of the future of Hong Kong and in the interests of the whole of China, particularly southern China." During an interview with the BBC, Mr Patten also pledged to study ways to "broaden and deepen" democracy in the colony.

Two lead race to be president of India

By Shiraz Siddha in New Delhi

THE Indian parliament today elects the nation's ninth president to succeed Mr Ramaswami Venkatarman, whose five-year term ends on July 24. Over 4,500 parliamentary representatives will vote.

The contest is largely a two-man race between Mr Shankar Dayal Sharma, India's vice-president, the favourite to win and the ruling Congress (I) party nominee, and Mr George Gilbert Swell, the opposition-sponsored candidate. Mr Ram Jethmalani withdrew on Saturday. The only other candidate is Mr Joginder Singh, sponsored by a group of legislators.

The contest is the culmination of a new phase of Indian politics. The presidential debate has broken the opposition ranks, and radically altered the agenda of the main opposition parties.

The Communist party of India (Marxist) did not bow to pressure from its allies, the National Front, and has decided to support the ruling party candidate. This has left the right-wing Hindu Bharatiya Janata party in uncomfortable alliance with the National Front, to support the opposition candidate.

This regrouping is seen as an indication the opposition is reactivating itself to pressure the ruling party. It could undermine the influence of Prime Minister Narasimha Rao. India's new president will be announced on July 25. The ruling party candidate has always had an edge over the opposition candidate. The Indian presidency, can be highly influential in times of turmoil.

World steel output and use 'to fall for third year running'

By Andrew Baxter

WORLD production and consumption of steel will fall in 1992 for the third year running, but the decline will be checked by a second-half recovery in some economies, according to the Organisation for Economic Co-operation and Development.

The OECD's forecast for 1992 is further evidence of the worldwide recession in the steel industry, which many producers are saying is the worst and most protracted on record.

Priced in the European Community have been falling in recent weeks after increases earlier in the year, and most analysts do not expect any substantial recovery in steel demand until next year.

The OECD forecast offers some solace to hard-pressed producers. World steel demand is forecast to fall 1.5 per cent this year to 606.8m tonnes,

WORLD STEEL INDUSTRY (millions of tonnes)			
	1990	1991	1992*
Consumption:			
OECD countries	325.7	308.3	304.2
World	645.5	615.7	606.8
Crude production:			
OECD countries	382.5	367.2	362.7
World	770.2	731.9	723.2
OECD countries trade balance	-12.3	-18.2	-17.4
OECD capacity utilisation rate (%)	79	76	76

Source: OECD. *OECD forecast

after a steeper 4.6 per cent decline in 1991.

The main problem is in Japan, the world's biggest consumer of steel, where the OECD expects demand to fall 10.6 per cent to 83.2m tonnes, from a record 93.1m tonnes in 1991.

Another big decline is expected in the former Soviet Union, where consumption will fall 8.7 per cent to 89.7m tonnes after a 12.9 per cent drop in 1991.

US demand is expected to

rise 4.7 per cent this year to 76.5m tonnes, a significant turnaround from the 12.6 per cent fall recorded in 1991, and sign of a slow recovery in US manufacturing industry.

World steel production is expected to decline more slowly this year, falling 1.2 per cent to 723.2m tonnes, after a 5 per cent fall in 1991.

Once again, the biggest fall will be in Japan, where production is expected to drop by 8.2 per cent to 100.7m tonnes.



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NEWS: INTERNATIONAL

Clinton tops in the team spirit stakes

By George Graham
in Washington

THE Democratic party convention has not needed more than a single ballot to choose its presidential nominee since 1966, and this year's convention in New York will be no exception.

But Governor Bill Clinton of Arkansas, the winning candidate, appears to have done a better job than his predecessors of quelling any dissenting voices that could have upset a show of Democratic unity behind his candidacy.

Mr Clinton, with the backing of 2,565 of the 4,288 convention delegates, has had to make remarkably few concessions to his opponents, either on the content of the party platform or on the roster of speakers for the four-day gala at Madison Square Garden.



Hubert Humphrey
1968 Chicago
With battle raging in Vietnam and outside the convention hall, Vice-President Humphrey won the nomination from Senators Eugene McCarthy and George McGovern. He lost the general election to Richard Nixon.



George McGovern
1972 Miami Beach
After drafting extensive changes in the Democratic party's selection rules, McGovern won the nomination but lost in a Nixon landslide.



Jimmy Carter
1976 New York
In the wake of Watergate, Carter, then a little known Southern governor, won the nomination and went on to beat President Gerald Ford.



Jimmy Carter
1980 New York
After a tough primary campaign, President Carter won the nomination but had to give way to his challenger, Senator Edward Kennedy, on much of the party's election platform. Carter lost to Ronald Reagan.



Walter Mondale
1984 San Francisco
Former vice-president Mondale won the nomination from Jesse Jackson and Senator Gary Hart, and picked Geraldine Ferraro as his running mate. The Democratic ticket was again no match for Reagan.



Michael Dukakis
1988 Atlanta
The convention gave Governor Dukakis a big lead over Vice-President George Bush in opinion polls, but by November it had evaporated.

"This will be more unified than any convention I've been to in recent years. This is going to be Bill Clinton's convention," says one Democratic party activist now working for the Clinton campaign.

Some of the Arkansas governor's critics within the party have been strong-armed into a display of team spirit - such as Governor Mario Cuomo of New York, who has agreed, at the urgent behest of Mr Ron Brown, the party chairman, to make the formal nomination speech on Wednesday night.

Mr Paul Tsongas, Mr Clinton's strongest challenger during the primaries, has agreed to endorse his rival in exchange for a chance to speak to the convention on behalf of his pro-business economic policies.

Others have been kept off

the speaking list altogether, notably former Governor Jerry Brown of California, whose rebellious primary campaign won him 613 delegates.

Mr Brown's supporters hope to raise a challenge with a procedural vote on the convention rules, but Clinton supporters are dismissive.

Mr Jesse Jackson, who has endorsed Mr Clinton but has spent the last week sulking on television because no-one will treat him with the respect he feels he deserves, could pose more of a problem. His convention speech has, however, been relegated to Tuesday night, when it seems likely to receive less attention than the simultaneously broadcast All Star baseball game.

Perhaps the biggest challenge for Mr Clinton will be to come up with an acceptance speech on Thursday that is not

eclipsed by the oratory that has gone before. The Democrats have lined up all their most talented speakers: from the acerbic wisecracks of Governor Ann Richards of Texas and the intense eloquence of former Representative Barbara Jordan, to the emotional uplift of Mr Cuomo.

Mr Clinton's last convention speech, nominating Governor Michael Dukakis in 1988, has gone down in the Democratic party annals as one of the dullest of all time, but he can be more exciting.

The party platform, meanwhile, shows the marks of Mr Clinton's moderate supporters, many of them drawn from the Democratic Leadership Council, a mostly southern grouping that has set about drawing the party towards the centre.

Calling for "a New Covenant to repair the damaged bond

between the American people and their government", the platform includes many traditional liberal Democratic themes, such as urban investment, abortion rights, affirmative action in favour of minorities, public support for the arts, and a limited amount of gun control.

However it also marks a shift away from government interventionism in its rhetoric on economic policy - although not as far as Mr Tsongas would have liked.

"An expanding, entrepreneurial economy of high-skill, high-wage jobs is the most important family policy, urban policy, labour policy, minority policy and foreign policy America can have," the platform states.

"We reject both the do-nothing government of the last 12 years and the big government

theory that says we can hamstring business and tax and spend our way to prosperity."

Perhaps as important, it contains a significantly tougher anti-crime plank than recent Democratic platforms, remedying a weakness that the Republicans have gleefully exploited for decades.

Democratic leaders hope the party platform and the selection of Senator Albert Gore of Tennessee - a southerner very similar to Mr Clinton in age, views and style - will help to signal to voters that the Democrats are now a moderate party representing middle-class Americans, not left-wing interest groups.

Even some of Mr Clinton's opponents acknowledge that this is likely to be a more winning electoral recipe than the left wing coalition of recent

elections.

Mr Clinton's campaign has already broken out of the doldrums that becalmed it this spring, when every step and every statement seemed to strengthen his image as another slithering politician.

Yet he has not succeeded in putting these doubts about his character wholly behind him, and is still no better in opinion polls than level pegging with President George Bush and Mr Ross Perot, the Texas billionaire.

A united convention and an inspired acceptance speech could lift Mr Clinton by 10 percentage points in the opinion polls, according to one of his campaign advisers. While this lead would clearly dwindle in August, they say, it does not have to disappear entirely - as Mr Dukakis's even larger edge did in 1988.

Cuba to facilitate foreign investment

By Damian Fraser
in Mexico City

CUBA's National Assembly has approved changes to the 1976 constitution that would facilitate foreign investment, grant a mandate of direct secret elections for deputies, and permit freedom of religion for the first time since 1959.

The changes, first proposed by October's party congress, will not permit opposition parties, nor allow private ownership of the "fundamental means of production". The government will continue to control prices, wages, and ration basic goods.

The law will allow private, in effect foreign, investment in selected state enterprises, let individual Cuban companies export and import without seeking central government permission, and recognise foreign ownership of property in joint venture deals.

The changes will give what is now common practice greater legal validity. In the past few years Cuba has sought to attract foreign investment to soften the blow of the collapse of trade with the former Soviet Union and eastern Europe.

Foreign companies have invested heavily in tourism, and less so in oil, nickel, biotechnology and light industry. They have tended to form joint ventures with nominally independent Cuban companies, that are nevertheless heavily backed and controlled by the government.

Mr Juan Escalona, president of the National Assembly, told Gramma, the official newspaper, that the investment reforms "will demonstrate the will of the state, the government to continue along the path already taken of encouraging investments, negotiations, trade openings, in short to boost our international economic relations".

The direct elections of deputies is intended to make the parliament more responsive to local demands. In the past deputies were chosen by municipal and regional councils, which are dominated by loyal party members.

On Saturday, Cuba's President Fidel Castro expressed support for a constitutional clause linking economic development and protection of the environment, saying these issues had almost become a new world ideology following last June's Earth Summit in Rio de Janeiro, Reuter adds from Havana.

Mr Castro said Cuba would be the first country in the world to include the linked themes of the environment and development in its national constitution.

Delegates look back longingly to 1976

Supporters are hoping Clinton can repeat Carter's success, writes Patrick Harverson



THIS week's Democratic convention in New York is the fourth time the party has come to the Big Apple for its election year get-together, and delegates are hoping it will prove a repeat of 1976, when another little-known governor of a poor southern state arrived to accept the party's presidential nomination.

On that occasion, Mr Jimmy Carter went on to win the White House from a sitting Republican president, a feat fellow-southerner Governor Bill Clinton would love to emulate.

Mr David Dinkins, New York's mayor, also hopes for a reprise of 1976. At the time, the city was recovering from a severe fiscal crisis, and the convention provided a big psychological lift for New York and a minor boon for its economy.

This year the city is also struggling to overcome a finan-

cial emergency, but Mr Dinkins is confident the convention will breathe fresh life into the ailing local economy.

He estimates that the press coverage of the event will be worth the equivalent of \$200m (£105m) in advertising expendi-

ture (although he makes a big assumption that all the coverage will be positive about New York, which it won't).

In addition, the mayor estimates that \$150m will eventually be spent on preparations for the event and \$10m by the convention during the week itself. On top of that, as much as \$175m will come in from the general increase in economic activity around the convention centre and the city, and another \$27m is expected from tax revenues.

If the figures are anywhere near correct, New York should

be left with a handsome profit. The cost of hosting the convention is \$21m, almost all of it paid for by the city.

It is interesting to compare how the Texas city of Houston is financing the costs of hosting the Republican convention

not putting pressure on South Africa's government to help end their dispute over violence in black townships.

Mr Mandela had been scheduled to visit New York and address the United Nations Security Council on Wednesday on the deadlock in South Africa's democracy talks.

It has raised part of the \$10m estimated costs from private sources. The rest, however, is coming from a most un-Republican source - a (read my lips) tax increase.

A large part of New York's \$10m outlay will be spent on security, and calming the fears of the thousands of out-of-towners attending the convention. No fewer than 2,400 police officers will patrol Madison Square Garden during the week, and their overtime will alone cost more than \$8m.

The area surrounding the convention venue has been

cleared of drug dealers, pimps and prostitutes, and the Department of Consumer Affairs will be issuing warnings to visitors about street con artists.

Private enterprise, meanwhile, should fill any gaps in

security. One (probably Republican) businessman who owns a gun-permit service in Queens plans to rent bullet-proof vests to delegates for \$10 a day while handing out a friendly little pamphlet called "Welcome to New York City".

Although New York officials deny it, pressure groups have complained that large numbers of homeless people have been cleared from the streets around the Garden in time for the convention.

Even if the area was being "hidden" up for delegates, the vast army of homeless in New

York will not be totally ignored this week. Mr Jerry Brown plans to eschew the comforts of a flashy midtown hotel and spend his nights in a city shelter for homeless; the Coalition for the Homeless will hold a nightly candlelight vigil, and there will be an "Unconventional Sleep-In" in Central Park.

Other alternative events include an Unconventional Crash the Convention Concert organised by local anarchists, the Reverend Al Sharpton's Black Agenda March, a No Police State March, and an Unconventional Smoke-In at Washington Square to campaign for legalised marijuana. One wonders if Governor Bill Clinton, a self-confessed marijuana user (but not inhale) will attend.

Finally, a note about media overkill. While there will be 4,998 Democrat delegates attending the convention this week, organisers have arranged accreditations for 15,000 journalists. That's three backs for every one delegate. No excuse, then, for any missed stories.



Al Gore: delegates hope his similarity to Clinton in age, views and style will help to reinforce the party's moderate image

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985 = 100.

UNITED STATES							JAPAN							GERMANY							FRANCE							ITALY							UNITED KINGDOM						
Exports	Imports	Trade balance	Current account balance	Service account balance	Effective exchange rate		Exports	Imports	Trade balance	Current account balance	Service account balance	Effective exchange rate		Exports	Imports	Trade balance	Current account balance	Service account balance	Effective exchange rate		Exports	Imports	Trade balance	Current account balance	Service account balance	Effective exchange rate		Exports	Imports	Trade balance	Current account balance	Service account balance	Effective exchange rate								
1985	279.8	-174.2	-180.6	0.7823	100.0		230.8	78.0	64.5	180.50	100.0		242.8	33.3	21.7	2.2289	100.0		133.4	-3.8	-0.3	6.7942	100.0		103.7	-16.0	-5.4	1443.0	100.0	132.4	-5.7	-4.9	0.8990	100.0	1985						
1986	293.0	-140.8	-147.8	0.9536	80.2		211.1	95.2	86.9	188.11	124.4		248.6	53.5	40.3	6.7946	102.8		127.1	0.0	0.0	6.7946	102.8		99.4	-2.5	-1.4	1481.6	101.4	108.3	-14.2	-0.3	0.8706	91.4	1986						
1987	292.2	-131.8	-138.8	1.1541	70.3		197.3	86.1	75.5	186.58	133.2		254.3	50.7	38.8	2.0710	115.3		128.3	-4.8	-3.7	6.8265	103.0		100.7	-7.5	-2.1	1494.3	101.2	112.3	-18.4	-5.9	0.7047	90.1	1987						
1988	330.2	-99.3	-96.5	1.1017	69.4		219.8	90.7	66.8	151.51	147.2		272.6	61.6	42.9	2.0709	114.8		141.9	-3.9	-3.4	7.0254	103.8		103.6	-9.9	-8.0	1556.8	97.8	120.9	-32.5	-23.4	0.8943	85.5	1988						
1989	309.0	-79.3	-72.3	1.2745	65.1		220.0	50.1	28.3	183.94	126.0		324.8	51.7	37.2	2.0537	119.1		170.1	-7.2	-7.2	6.8202	104.8		127.8	-11.2	-14.0	1559.2	96.8	137.3	-38.6	-30.3	0.8728	82.6	1989						
1990	340.9	-82.3	-3.0	1.2391	64.5		247.5	83.2	63.0	166.44	137.0		327.3	11.0	-16.1	2.0480	117.7		175.3	-4.3	-4.7	6.9643	102.7		137.0	-10.5	-28.0	1531.3	96.9	148.1	-14.4	-7.4	0.7002	81.7	1990						
2nd qtr.1991	88.8	-11.8	2.0	1.1944	66.4		61.9	20.4	15.9	183.77	135.9		78.5	-0.2	-4.9	2.0546	116.2		44.3	-1.3	-1.1	6.9588	102.0		35.5	-3.4	-6.9	1524.6	96.8	37.4	-3.2	-0.5	0.8939	91.4	2nd qtr.1991						
3rd qtr.1991	88.4	-16.0	-9.4	1.1732	65.5		65.8	23.2	16.6	136.94	136.5		83.5	2.4	-5.0	2.0430	116.5		43.9	-1.3	-0.6	6.9441	101.8		31.9	-1.7	-5.5	1525.4	96.1	36.0	-3.4	-1.8	0.8929	90.7	3rd qtr.1991						
4th qtr.1991	87.8	-12.4	-6.7	1.2548	63.1		62.9	23.7	18.2	162.39	141.2		84.0	5.8	-1.8	2.0382	118.5		44.9	0.3	0.4	6.9588	102.5		37.3	-1.2	-8.3	1533.8	96.8	37.2	-3.5	-2.0	0.7089	90.9	4th qtr.1991						
1st qtr.1992	87.3	-11.6	-4.2	1.2623	63.5		64.9	25.9	22.6	162.21	142.2		83.0	2.7	-4.3	2.0422	118.8		45.3	0.8	-1.1	6.9492	102.4		34.3	-8.1	-7.8	1536.7	96.0	36.8	-4.3	-3.7	0.7125	90.8	1st qtr.1992						
June 1991	30.1	-4.0	n.a.	1.1530	67.8		21.7	7.1	4.3	180.86	136.6		26.0	-0.1	-2.0	2.0332	119.8		14.3	-0.9	-0.21	6.9857	101.5		12.7	0.3	-2.1	1526.5	96.2	12.9	-0.6	0.34	0.8984	90.2	June 1991						
July	30.6	-4.9	n.a.	1.1509	67.8		21.8	7.3	4.3	188.54	138.8		27.5	0.0	-2.7	2.0324	119.8		15.1	-0.53	-0.50	6.9771	101.4		13.2	0.1	-2.2	1529.2	97.9	12.7	-0.9	-0.30	0.8984	90.3	July						
August	29.3	-5.6	n.a.	1.1758	66.8		21.8	7.9	5.9	180.87	138.2		28.9	2.1	-1.6	2.0514	116.5		14.7	-0.40	0.34	6.9717	101.8		11.1	-1.2	-0.4	1533.0	96.0	12.0	-1.2	-0.38	0.8987	90.7	August						
September	29.5	-5.4	n.a.	1.1929	65.3		22.1	7.9	6.4	180.42	138.7		27.2	0.2	-0.6	2.0253	117.1		15.1	-0.36	-0.51	6.9835	102.2		11.1	-2.0	-2.6	1513.9	96.5	12.4	-1.3	-0.88	0.8984	91.0	September						
October	30.5	-4.8	n.a.	1.2082	64.6		21.8	8.0	5.8	157.77	142.4		27.3	1.5	-1.5	2.0417	117.1		15.0	-0.00	-0.14	6.9735	102.8		11.1	-1.8	-2.5	1537.6	96.7	12.3	-1.3	-0.73	0.7014	90.6	October						
November	29.6	-3.3	n.a.	1.2558	63.2		20.3	6.3	6.6	185.37	140.2		27.8	2.4	-1.3	2.0325	119.9		14.3	-0.39	-0.31	6.9451	103.7		13.1	1.2	-3.3	1537.4	96.1	12.8	-1.3	-0.82	0.7076	91.0	November						
December	27.7	-4.3	n.a.	1.2993	62.0		20.3	6.3	6.6	185.37	140.2		27.8	2.4	-1.3	2.0325	119.9		14.3	-0.39	-0.31	6.9451	103.7		13.1	1.2	-3.3	1537.4	96.1	12.8	-1.3	-0.82	0.7076	91.0	December						
January 1992	27.4	-4.4	n.a.	1.2926	61.9		21.4	7.9	5.8	161.84	143.8		26.9	-0.4	-3.2	2.0395	119.3		14.9	0.51	-1.4	6.9476	103.5		10.7	-2.0	-2.2	1536.9	96.1	11.6	-1.6	-1.43	0.7131	90.8	January 1992						
February	28.8	-2.6	n.a.	1.3534	65.1		21.8	8.3	7.6	161.18	143.3		27.7	1.1	-0.9	2.0443	118.5		14.9	0.00	0.00	6.9572	103.3		11.4	-1.4	-2.2	1536.7	96.0	12.1	-1.6	-1.21	0.7105	90.8	February						
March	30.1	-4.5	n.a.	1.2209	65.1		21.8	8.7	9.5	183.61	139.6		28.5	1.9	-0.2	2.0496	118.6		15.4	0.22	-0.98	6.9429	103.4		12.1	-1.6	-2.1	1536.9	96.0	12.5	-1.2	-1.06	0.7141	90.1	March						
April	29.3	-5.6	n.a.	1.2436	64.4		20.9	6.8	7.5	181.75	139.2		28.5	2.5	-0.5	2.0483	118.6		15.6	0.00	0.16	6.9574	103.9		11.7	-1.5	-2.0	1542.0	96.6	12.5	-1.9	-1.83	0.7076	91.4	April						
May	n.a.	n.a.	n.a.	1.2676	63.8		20.9	6.4	8.5	165.57	136.7		n.a.	n.a.	n.a.	2.0505	118.4		15.0	0.00	0.00	6.9590	104.5		11.6	-1.9	-3.4	1546.5	96.5	12.1	-1.2	-0.62	0.7000	92.8	May						

Albania pays dearly for a new economy

By Karin Hope,
recently in Tirana

THE sight of elderly women in white headscarves using sickles to harvest Albania's wheat crop says much about the country's continuing problems of food production.

After three years of drought and another of political and economic upheaval, the transition from Stalinist self-sufficiency to a market economy is being slowed by acute shortages of basic commodities, from flour and sugar to soap and writing paper.

Last week's attempted exodus to Italy by thousands of Albanians followed the announcement of harsh economic reforms in accordance with an IMF adjustment programme due to take effect next month. These include abolition of wage subsidies and price controls on most goods, though a price ceiling will be imposed for bread, cooking oil and sugar.

Dr Abdyl Sinani, a senior official in the industry and food ministry, says: "The government view is that it will be another three years before we

get back to our standard of living in 1989" - the last year before communism started to crumble.

This year, wheat production will amount to only 250,000 tonnes, half last year's output and 700,000 tonnes short of the amount needed to provide Albania's 3.8m population with a daily loaf of bread.

Milk and meat are hard to find because livestock breeders avoid selling young animals for slaughter to build up herds from a few animals acquired when the co-operatives' livestock was shared out last year.

Italian soldiers and a Greek state relief organisation make daily truck deliveries of flour and other essentials, provided under an Ecu45m (£31.8m) European Community emergency aid scheme.

This week, the EC is expected to approve another Ecu55m as an immediate balance of payments grant for Albania to buy industrial spare parts and raw materials.

This amount is to be matched by the Group of 24 industrial states under a co-ordinated aid plan for former communist countries.

Serbian authorities step up pressure in Kosovo

Judy Dempsey on the persecution of the majority ethnic Albanians in a colonisation programme

UNTIL October 28 1990, Dr Alush Gashi was Professor of Anatomy at Pristina University, Kosovo. He has no idea when he will be free to lecture again.

"That morning, three armed Serbian policemen came into my office. They dragged me out in front of the patients. They were angry because, as an ethnic Albanian, I had refused to leave my job," said 40-year-old Mr Gashi.

The former visiting professor at the University at California now spends his time documenting cases of human rights abuses in the southern province of Kosovo, which was forcibly reintegrated into Serbia in 1990.

Since March 1990, when Serbia, under President Slobodan Milosevic, issued a decree called "The programme of the Republic of Serbia to colonise Kosovo", thousands of professional ethnic Albanians have been sacked.

According to Belgrade's policy of colonising Kosovo, the decree stipulated that favourable credits would be granted to those Serbs and Montenegrins willing to settle in Kosovo, and

how ethnic Albanians would be excluded from holding any positions of influence.

Last autumn, 25,000 teachers, on all levels, were sacked; 986 lecturers and professors were dismissed; over 2,000 doctors and medical staff now have no jobs. About 85,000 workers have been expelled from the factories," explains Mr Gashi.

"Serbia wants to reverse the ethnic distribution in Kosovo," says Mr Ibrahim Rugova, elected president of Kosovo in elections banned by Belgrade two months ago.

Ethnic Albanians make up 90 per cent of the province's 2m population. The remainder are Serbian, Montenegrin and ethnic Turkish communities.

More recently, human rights organisations in Kosovo reported that Serb authorities last month sacked 60 ethnic Albanian workers from a car parts factory in Istok, western Kosovo, and 350 ethnic Albanians from an engineering plant in Glogovac, south-west of Pristina, capital of Kosovo.

In response to the sackings, ethnic Albanians have begun to establish their own parallel



society and institutions. Since February, ethnic Albanian children have gathered in private houses to be taught by teachers sacked from the primary, secondary and university schools throughout Kosovo.

"We are determined to educate our children. It is crucial to preserve a continuity in education and in our cultural traditions," says Mr Rugova.

In another extension of this parallel society, sacked doctors are setting up private, charitable clinics throughout the province.

Before the medical profession was ethnically cleansed, the main gynaecological centre in Pristina was delivering between 50 and 55 babies a month.

"Now the centre is delivering

only five or six infants. Because the ethnic Albanians have been sacked, the women do not trust the Serb doctors. They are now giving birth at home. We try to help as much as possible," says Mr Gashi.

The summary dismissal of so many ethnic Albanians has made life even harder in a province which last year was recording 40 per cent unemployment, the highest throughout the former Yugoslavia.

Some ethnic Albanians cope by returning to the land. Some seek help from ethnic Albanians working abroad in Germany or Switzerland. Others rely on a special "Solidarity Fund" set up by the Democratic League of Kosovo, which won an overwhelming majority in the recent unofficial elections. This fund is financed by the diaspora.

Mr Rugova says the parallel society will continue as long as Serbia continues to repress the ethnic Albanians.

"Ethnic Albanians are picked up every day by the police. They are beaten, detained, and held without

warrant. Their houses are searched. Intimidation prevails," he explains.

"It is clear Belgrade is not willing to compromise with the ethnic Albanians at the moment," a US diplomat says.

Even if Milosevic, or any other Serb leader, decides to give back autonomy to the ethnic Albanians, it will be too late. The entire province is radicalised as a result of the repression.

Despite the repression, Mr Rugova says ethnic Albanians will not be provoked into rising up against Serbian repression. "That is exactly what Belgrade wants. It would end up being a massacre because we have no weapons. That is why we need a United Nations presence here before it is too late," he says.

Western diplomats said last week's decision at the Helsinki summit meeting of the 51-nation Conference on Security and Co-operation in Europe to send a mission to Kosovo may be the first, tentative step towards recognising that the war in the former Yugoslavia must be prevented from spreading.

Slovaks inch towards independence from Prague

By Anthony Robinson,
recently in Slovakia

THE Slovak nationalists who dominate the newly elected Slovak National Council are expected to endorse a declaration of Slovak sovereignty when the new session opens in Bratislava tomorrow. For many Slovaks, irked by a 1,000-year history of subservience to Hungarians or Czechs, the symbolic declaration will underline Slovakia's right to run its own affairs.

Despite its long political subservience, Slovakia's wealth of fine Gothic churches bears witness to a culture which many Slovaks feel has been underrated. Bratislava's Catholic churches are packed for evening mass, unlike the more sceptical Czech lands cities, where church attendance is low and protestant traditions live on. Differences are likely to widen if the federal relationship with the Czech lands is broken as expected later this year.

Under the communist regime Slovakia was industrialised with huge

arms factories, steel works and engineering plants which either exported to the east or delivered components to finishing plants in the Czech lands. After the 1968 Soviet invasion of Czechoslovakia many Slovaks, such as the former president Gustav Husak, were promoted to top positions.

Traces of that recent past remain. The taxi drivers with brand new Peugeot cars who lurk outside Bratislava's high-tech Hotel Danubia have the unmistakable air of former secret policemen. Frontier guards who check passports on internal flights still treat passengers like potential defectors.

That is certainly the fear of the losers from the recent elections - the Christian Democrats led by Mr Jan Carnogursky; the Greens, whose vote was negligible despite the environmental degradation left by the communists; and the Civic Democratic Union, which, as Public against Violence, held the first street demonstrations against the communist regime.

But the clearest sign of nervousness about the future of an independent

Czechoslovak President Vaclav Havel said yesterday he would be willing to become president of an independent Czech republic if Czechoslovakia split up, providing the conditions were right, Reuter reports.

Mr Havel failed to be re-elected as Czechoslovakia's federal president recently after his candidacy was blocked by Slovak parliamentarians. He said he would only accept nomination for a post of active president.

Slovakia can be seen in the way the Hungarian minority voted on ethnic grounds for the three Hungarian parties who form a compact bloc, despite big political differences.

For nearly 1,000 years Slovaks were dominated by Hungary. Mr Gyorgy Halasz of the Hungarian Civic party fears that if Slovakia, under the leadership of Mr Vladimir Meciar's Movement for a Democratic Slovakia (HZDS), breaks its federal ties with the Czech lands, it will be the turn of Hungarians and other ethnic minorities such as Gypsies, Ukrainians,

Poles and Germans to become second-class citizens.

"Meciar is angry with us because we were part of the coalition which ousted him from government last year. We fear that Slovak will become the only official language and we will be discriminated against. We intend to form a united opposition with the right-wing parties and the Christian Democrats," says Mr Halasz in Kosice, Slovakia's second biggest city, near the Hungarian and Ukrainian borders.

The presence of nervous ethnic minorities and strong Catholic traditions kept support for the HZDS to 28 per cent of the vote in Eastern Slovakia compared with 51 per cent in central Slovakia and over 35 per cent nationwide.

Eastern Slovakia has suffered less from unemployment than central Slovakia with its heavy concentration of arms factories. Thanks to some adroit managerial footwork and federal assistance several thousand new jobs have been created over the past year by VSZ steelworks, the largest employer in the Kosice region.

It is a different story in central Slovakia, where thousands of workers have been laid off from plants which supplied the former Soviet market. It is in towns such as Martin that resentment against Prague and support for the former communists and the pro-independence parties is strongest. But the sense that Slovaks should take their own future in their hands and break away from what is seen as Prague's insensitivity to Slovak interests is strongest in the Bratislava-based ministries.

Mrs Dagmar Repceková of the Economy Ministry's foreign trade department approves of the emerging alliance between Mr Meciar, a former communist secret policeman, and the "Democratic left" reformed communists led by Mr Peter Weiss. "The Democratic Left is full of people who have a lot of experience in planning and decision-making. Both Meciar and Weiss accept the market system. But we feel that in the common state things will only get worse while they [the Czechs] will get better," she says.

Moldovan ceasefire accord breaks down

MOLDOVAN authorities and Russian-speaking separatists yesterday accused each other of violating a new ceasefire agreement after overnight clashes in which at least one person died, Reuter reports from Kishinev.

Further south in Georgia, Itar-Tass news agency said one person had been killed overnight in shelling of Tskhinvali, capital of the disputed territory of South Ossetia.

Mr Viktor Biryukov, press official for the Russian-speaking separatists in Moldova's eastern Dnestr region, said Moldovan forces had attacked the Dnestr village of Kishinev.

near the capital Tiraspol.

He said two Dnestr guards and four Moldovans were killed. But Mr Georgy Muntescu, chief of the Moldovan defence ministry's press department, said stories of fighting in Kishinev were "nothing more than a bare-faced lie".

Hundreds of people have been killed since March in the former Soviet republic. The latest ceasefire was signed by senior military officers from both sides last Tuesday. It will be policed by groups made up of Moldovan, Dnestr and Russian observers, and officers from the ex-Soviet 14th Army.

Government to dilute plan for rail sell-off

By Richard Tomkins,
Transport Correspondent

BRITAIN'S state-owned railway system is likely to remain substantially in the ownership of British Rail under heavily watered-down privatisation plans to be announced by the government tomorrow.

The proposals are likely to be greeted with relief by the national railways of other European Community countries, many of which had feared they would serve as a precedent for the break-up and sale of their own rail networks.

They will nevertheless provoke concern from some - notably France's Société Nationale des Chemins de Fer - because they breach the long-established European custom that state-owned railways enjoy a monopoly over rail services.

After struggling unsuccessfully for several years to find a way of disposing of its loss-making railways outright, the British government has opted for a structure similar to one introduced in Sweden in 1988.

Under this scheme, BR will stay in charge of the railway tracks indefinitely. Privatisation will consist mainly of trying to get the private sector to run the trains.

However, only the freight trains will be offered for outright sale. On the passenger

sides, the private sector's role will be limited mainly to operating some routes under franchise.

The government is likely to proceed extremely cautiously with the award of franchises because of the private sector's lack of previous experience operating complex railway services.

The private sector is also wary of the opportunities because of uncertainties over whether there is any money to be made from running trains. It has not been reassured by the escalating losses reported by BR two weeks ago.

The white paper will attempt to ease some of the private sector's anxieties about costs by allowing franchisees to lease passenger trains from BR instead of buying their own. If a franchise is not renewed, BR will guarantee to take the trains back from franchisees. This will considerably reduce the risks to the private sector in taking on a franchise.

In addition to privatising BR's services, the white paper will allow would-be operators to start up new services alongside BR's. Several companies such as Virgin Atlantic, the airline, have expressed an interest in doing so.

Another aspect of privatisation will be the gradual offer for sale of BR's 2,555 stations, though only a few are expected to be attractive to buyers.

Business supports rail

BUSINESS managers are strongly in favour of investing in the railways, according to a survey published yesterday.

But while they back the railways, few actually travel by train, with 82 per cent of those questioned taking the car to work and only 10 per cent using the train.

The survey of more than 1,000 British Institute of Management (BIM) members found:

- Three-in-five would pay for more rail investment and only one-in-three supported more spending on roads.
- Nearly three-quarters

thought British Rail investment levels were too low.

- Only 15 per cent wanted more motorways built.
- 88 per cent thought more freight should travel by rail.
- 43 per cent opposed the privatisation of BR.
- 51 per cent thought privatisation would improve services while 36 per cent disagreed.

Overall, while managers thought more should be spent on the railways, they found car travel more comfortable, although rail was perceived to be better value for money.

Britain in brief



Smith victory expected in Labour contest

Mr John Smith is set for a crushing victory over Mr Bryan Gould in this week's opposition Labour leadership contest with the support of up to 90 per cent of the party's electorate.

The shadow chancellor's campaign advisers said his overwhelming support in all three branches of the electoral college that chooses the leader - the trade unions, parliamentary party and constituency parties - would give him unprecedented authority as leader.

Mrs Margaret Beckett is expected to beat off challenges from Mr John Prescott and Mr Gould when the votes in the deputy and leadership contests are counted on Saturday.

Protest move

Strike action by government employees protesting over government plans to move them from Westminster to Canary Wharf in London's docklands may close two government departments on Wednesday.

Staff at the environment and transport departments oppose the move because it means extra travelling and disruption for a workforce already under pressure from staff cuts, unions say.

Upturn in confidence

The financial services sector may be about to pick up, according to a report published today. However, the survey of 333 companies warns that business volumes remain well below normal and says that improved profitability has been won partly through job losses and reduced costs. For the only second time since December 1989, the report - produced jointly by the Confederation of British Industry and Coopers & Lybrand - records an upturn in business confidence.



Britain's Nigel Mansell took another stride towards the Formula One world championship yesterday with a British Grand Prix victory at Silverstone. Thousands of fans poured on to the track after Mansell crossed the finish line for his seventh win of the season for the Williams Renault team. Team-mate Riccardo Patrese finished second and Martin Brundle third. Mansell has a 36-point lead over Patrese in the drivers' championship, with just seven races left.

Ford unions in Europe join forces

By Catherine Milton,
Labour Staff

UNIONS representing Ford workers across Europe are combining forces for the first time to make representations to the company.

They believe Ford management in the US has taken a strategic decision to subcontract an increasing number of production processes and fear thousands of jobs are at risk in the long term.

The move comes in spite of the unions' continuing difficulties in forming a European works council at Ford, designed to give a collective voice to workers from all six European countries where Ford has a presence.

German union leaders want Euro-works council representatives to be elected only from Ford employees. The British want some full-time union officials on the proposed 20-member council.

This week, however, negotiators from Britain, Germany, Belgium, Spain and Portugal will ask Ford of Europe management for a meeting to core processes will be subcontracted within the next five years. Unions believe the proposal to put seat production at Ford in Britain out to tender

will lead to 800 job losses and heralds a move to increase subcontracting. Ford is due to decide on that proposal later this year.

Carmakers can cut costs substantially by forging long-term partnerships with a relatively small number of key suppliers. These are required to bear all the big costs of research and development in exchange for long-term supply contracts.

Ford denied that it plans to subcontract core businesses. The company said: "Outsourcing of some work is an ongoing process. We have looked at peripheral areas for a number of years. We are always asking whether someone can do the work better than we can."

No amnesty on allegations of abuse

Ralph Atkins looks at the perennial charges laid against the UK government in Northern Ireland

AMNESTY International, the human rights organisation, last week again documented lengthy allegations of abuse in Northern Ireland. It is a perennial charge against the UK government which has to tackle, in the IRA and loyalist paramilitaries, some of the world's most experienced terrorists.

This year, though, there is perhaps more reason to suspect that tougher measures to prevent abuse may be implemented. All the Northern Ireland parties taking part in "round table" talks on the province's future have backed a bill of rights or incorporation of the European convention on human rights into UK law.

Sir Patrick Mayhew, Northern Ireland secretary, has said he would not oppose such a

move. If the talks collapse, it is one element that might be salvaged.

Allegations of the sort listed by Amnesty International are common in the republican heartlands and Roman Catholic-dominated towns of Northern Ireland. But unionists are also worried about possible abuse. Few argue that abuse is avoidable in an undeclared war against paramilitaries. The worst atrocities are committed by terrorists; ministers' prime concern has to be preserving the right to life of the province's population.

It is a difficult balance, but the security forces are often distrusted by the minority

nationalist population - and sometimes by unionists as well.

"There is no law here," says Father Denis Faul, principal of St Patrick's Academy in Dungannon, Co Tyrone, and persistent campaigner for human rights. "The British give us the small liberties but they will keep all the big ones. They are a bit inclined to be bullies."

Allegations of human rights abuse lowers Britain's esteem in international eyes, adding to Northern Ireland's grim image in the eyes of possible investors. "In Northern Ireland you have much greater pressure on human rights but the pressure takes place in the part of

Europe which has the least safeguards," says Mr Colm Campbell, chairman of the Belfast-based Committee on the Administration of Justice.

Particular anxiety has arisen in the past year over the treatment of suspects at the RUC's Castlereagh holding centre. The Northern Ireland Emergency provisions acts allow terrorist suspects to be held for up to seven days without being charged. Access to a solicitor can be delayed for 48 hours.

Amnesty International last week detailed allegations of confessions obtained under duress and of physical intimidation of suspects. Last year, it complained to the United

Nations' Committee against Torture. The RUC says there is no policy of abusing prisoners and its investigations rarely find conclusive evidence to substantiate the allegations.

An independent commissioner for holding centres is to be appointed but complaints will continue to be investigated by the RUC itself - either under the supervision of the new commissioner or the existing Northern Ireland Independent Commission for Police Complaints.

The Northern Ireland Office argues that it strikes the right balance between tackling terrorism and protecting human rights. But, as has become apparent during the interparty talks, unionists and nationalists accept that a formal mechanism for ensuring a proper balance may be needed.

MANAGEMENT

The rapid growth of an Ohio bank over the last 18 months has lifted it into the same league as some of the oldest US financial institutions. Alan Friedman reports

One of the boys

Against a national backdrop of a commercial banking industry battered by property loan losses and recession, a bank from Columbus, Ohio, has quietly emerged as one of the best managed, most rapidly expanding and most strategically successful financial institutions in the United States.

Banc One, little known outside the US, has expanded away from its roots in the midwestern heartland by way of a dozen bank takeovers over the past 18 months in places such as Colorado, Texas and Arizona.

The acquisitions have been accompanied by a management formula that combines decentralised decision-making with group-wide guidance and advice.

Since the start of 1991 - as a result of the acquisitions - Banc One has succeeded in boosting its total assets from \$30bn (£15.7bn) to more than \$75bn.

Its network has grown from 587 to 1,328 branches, its workforce from 19,300 to 47,061 people and its geographic presence from six to 11 states.

Wall Street analysts say Banc One is one of the few US institutions genuinely positioned to become a nationwide bank.

This has been accomplished without diluting the bank's earnings per share, its equity-to-assets capital ratio or its return on assets, which at 1.5 per cent is significantly higher than the average (0.89 per cent) return of the top 25 US banks.

Last year, only four US banks - Bank of America, JP Morgan, Chase Manhattan and Bankers Trust - earned more than Banc One's \$539.5m of net profits.

And only BofA, NationsBank, Morgan and Chemical Bank have a present market capitalisation larger than Banc One's stockmarket value of \$9bn.

The secret of Banc One's success is the result of a mosaic of strategies. These include a strictly domestic banking operation, a conservative approach to lending that has kept the bank largely away from the troubled property sector, a technology-driven focus on consumer banking and an innovative set of man-

agement and financial reporting tools that are admired throughout the industry.

It is almost axiomatic to assume that problems must await any bank that is expanding as rapidly as Banc One.

Yet Wall Street analysts and top bankers alike say they have confidence in the bank and in John McCoy, the third generation member of his family to chair the bank.

George Salem, a normally sceptical analyst with Prudential Securities, fairly bubbles with praise: "Banc One could well be the best practitioner of excellent bank management in all its dimensions."

Art Ryan, president of Chase Manhattan, has great faith in Banc One's strategy: "They are very, very good at what they do. I'd buy their stock."

Banc One's stock price, which has leapt by 36 per cent over the past 18 months, has obviously helped pay for the takeovers, which are mainly in stock, not cash.

But so has the bank's continuous experience in acquiring banks - more than 100 deals have been made over the past 25 years.

Acquisitions, according to McCoy, are more than a strategy. They are a line of business.

The 48-year-old McCoy, a burly man with a penchant for monogrammed blue shirts, sits in his 16th floor office in downtown Columbus and explains his acquisition and management strategies.

"First of all I don't believe in merger of equals. We've really tried to study what we do. One rule is we never buy a bank more than a third of our own size."

"Then, we are only really interested in opportunities in a retail banking market where we can be first or second in terms of market share. And we don't want to take on a bank with asset quality problems."

The few sceptics around say Banc One has paid too richly for some banks.

But McCoy insists that the bank takeovers will not dilute overall earnings per share, even if the issuing of new stock has diluted shareholdings in Banc One itself, includ-

ing that of his own family, which is now below 1 per cent.

Once banks are acquired, however, Banc One swings into action to help manage and to slash operating costs. The first step is to transfer data processing operations to a central office in Springfield, Ohio.

The Springfield computer centre is more than just an administrative division - it is also the second biggest automated clearing house transaction processor in the US, a profitable Banc One business that last year processed \$4.5m electronic payments, primarily made to insurance companies by individuals. The dollar value of those transactions was \$47m.

The heart of Banc One's much envied management, however, is what the bank calls its policy of "uncommon partnerships".

This is shorthand for leaving acquired banks relatively free to design their own marketing strategies and pricing, although not their management system and product portfolio, which are uniform inside the Banc One empire.

Managers at the 58 separate banks inside the network are both intimidated and inspired to achieve a high return on assets by an unusual, computer-based monthly reporting system known as the Management Information Computer System (MICS).

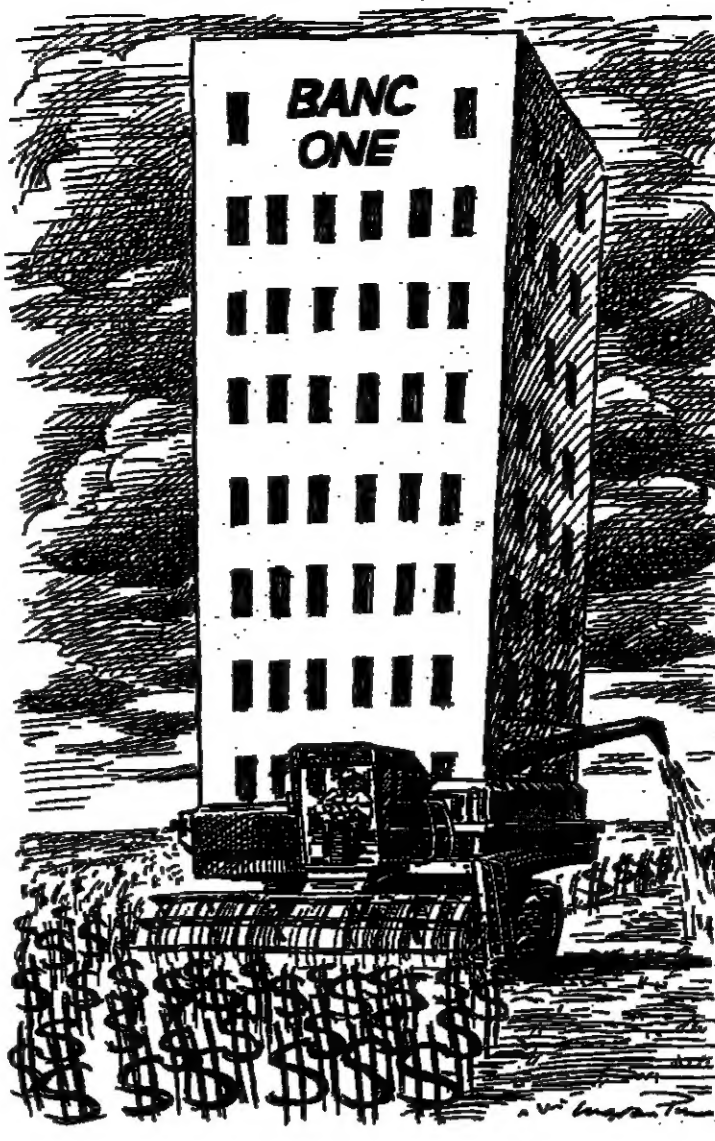
All Banc One managers can and do use MICS to compare results. The management system also has a human face.

A team of Banc One consultants is almost always on the road, offering a manager in Kentucky the fruits of lessons learned in Ohio or Wisconsin.

"Most people don't have anything to compare themselves to. We allow our guys to see who is doing things the best, and how they are doing it," says McCoy.

If Banc One is bucking the national trend, this is also because of the bank's strategy of spreading risk geographically and among numerous small consumers.

Its retail banking experience includes being the first bank in the US to buy a franchise to issue BankAmericard (1967), the forerunner of Visa, and being the first bank



to install a cash dispenser machine (1970).

McCoy notes that 99 per cent of the bank's \$32.6bn total loan book consists of loans of less than \$50m. The bank's strong focus on the consumer can also be found in the profitable credit card and instalment loan divisions. With \$4.1bn of credit card receivables on its books, Banc One is among the leading card issuers in the US.

Nancy Bush, a bank analyst at Brown Brothers Harriman, says the bank's above-average 6.5 per cent net interest margin stems in part from the rich pickings of an average 17.8 per cent interest yield earned on credit card balances.

Just as striking is the fact that while big banks in New York are experiencing record consumer delinquencies, Banc One's more conservative midwestern clientele is better at paying bills, which helps explain the average 14 per cent

earned on \$5.9bn of consumer instalment loans.

The main criticism to make of McCoy's management approach is that he is taking on more than he can handle. Bush says the bank is "pushing the outer edge of the envelope" with its aggressive acquisition strategy. But she adds: "They have a great depth of management simply by dint of having already acquired and integrated so many banks for the last 20 years."

McCoy, while noting proudly that Banc One will be the seventh biggest bank in the US in asset terms by year-end, agrees that the bank must now undergo a period of consolidation rather than further acquisitions.

Yet analysts forecast that Banc One will achieve an increase of about 13 per cent in its 1992 net profits, hardly a sign that the acquisitions have caused a bout of digestion.

Promoting service with a smile

By Sara Webb

Service and efficiency were seldom buzzwords of hoteliers in the Soviet Union and eastern bloc under communism. But as the former Soviet republics and east European economies open up, many hotels are trying to raise standards to attract more tourists and business travellers.

According to Andrew Lockwood, lecturer in hotel and restaurant management at the University of Surrey: "In the past, many of the hotels had no need to budget or look at cost control. The money was simply provided by the state. Now they need to learn how to budget and prepare financial statements," he says.

The hotels also face practical problems in attracting and training suitable staff, and obtaining regular supplies of food and fuel.

When Toomas Sildmiste started recruiting staff for the Palace Hotel, rated the best in the Estonian capital of Tallinn, he vowed not to employ anyone who had worked under the old Soviet system.

As managing director of Finest Hotel Group, he wanted staff who were young, motivated and service-minded to establish a hotel which could cater both for businessmen and well-heeled tourists.

With unofficial unemployment estimated at 20-25 per cent in Estonia, there is no shortage of labour, although there is a shortage of well-trained hotel staff.

Initially, the Palace Hotel sent its staff to Finland for training only to discover that the best people quickly found jobs there.

So the hotel has started a number of schemes to keep its employees. Staff receive part of their salary in roubles, plus a sum ranging from one-to-three times the rouble portion in hard currency, according to how well they perform. In a country where the rouble is regarded with some contempt, the hard currency is very attractive.

Staff are entitled to discounts at the hotel's hard currency shop which sells alcohol and imported food. They can also order basic groceries on the premises so they do not have to waste time shopping during their working hours. This also means staff spend their working hours at work.

Staff are given cheque books with which to pay for groceries, canteen or restaurant food, and the money is deducted from wages. The most senior staff are entitled to use company cars, bought second-hand in Germany which can be resold two years later for almost the same price. "A hard currency salary and the prestige of working for a successful business is important," says one Estonian official. "It's very easy to fire people here so if you have a good job you don't want to lose it - it's quite an incentive for people to smile in the hotel."

Even so, Sildmiste, a former trade ministry official, sees the government's privatisation plans as the most serious threat to attracting staff. "Estonians like to work for themselves, even if that means having a two-metre wide kiosk on a street corner... we have to persuade them that it is not bad to work for someone else."

Food and fuel supplies have proved problems for the hotel, and the group's separate restaurants, and pizza chain in Tallinn. The company employs four people in its purchasing department simply to ensure that it has the right ingredients. Most of the food is produced in Estonia and is bought from the private sector, but some items - alcohol, French cheeses, spices and fruit - are imported, mainly from Germany.

While it is possible to buy food in bulk, it can be very difficult to guarantee supply. "You can only get the fisherman to supply salmon for the three months when it is available, so the purchasing staff must buy, prepare and freeze it so it is always on the menu," says Sildmiste.

Last winter, Estonia had to cut heating in offices and homes, and rationed fuel supplies as Russia started to charge world market prices for energy supplies. Sildmiste rented a filling station and bought a small petrol station and bought the rental cars and delivery vans. The decision paid off and the group now has surplus petrol.

The group was less fortunate with its heating supplies last winter. The hotel was unable to cover its heating supply and had to install electric heaters to prevent the rooms from turning into iceboxes. Now, it plans a separate system for heating the water and rooms so that it can run off an independent energy supply next winter.

CONSTRUCTION CONTRACTS

BRIEFS...

JOHN SISK & SON NORTH has won contracts worth \$8m. Recent work includes repairs to a motorway underpass on the M1, a number of contracts for North West Water, cladding for the Quarry House development in Leeds and three units for one of Europe's largest retailers.

LAING SCOTLAND has been awarded construction contracts worth more than \$5m. Heading the list is a 3,126 sq metres supermarket for Sainsbury at Uddingston valued at £2.5m.

Other work involves refurbishment at the Royal Infirmary, Glasgow (£1.2m), a services building and roadworks at Cameronbridge (£709,000) and a brickwork package for the HCl hospital project in Clydebank (£1.9m).

Over 5,000 sq metres of the Astrawall curtain walling system has been ordered from STOKES SYSTEMS, Purley, for installation on two six-storey office blocks under construction at Pamplona in northern Spain. The blocks form part of Faurte del Principe Parque - an apartment and office complex being developed by Invenim.

JOHN LELLIOTT CONSTRUCTION GROUP has been awarded a £1.4m contract to build the new Food Garden restaurant on the fourth floor of Selfridges department store in Oxford Street, London. Work involves stripping out the restaurant and constructing a new 350-seater restaurant.

BUILDING SERVICES DESIGN PARTNERSHIP has been appointed by the London Borough of Hammersmith & Fulham to undertake surveys of the mechanical and electrical installations in 94 of their public buildings. It will also check and update plant and equipment asset registers and advise on health and safety matters.



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Treating wastewater in Egypt

A contract to build a US\$110m (£57.29m) wastewater treatment facility near Suez, Egypt, has been awarded to a joint venture including a unit of the Sweden-based ASEA BROWN BOVERI (ABB). The plant, to be completed in 1995, will have a capacity of 130,000 cu metres

per day and will significantly reduce wastewater pollution along the Suez Canal. ABB SUSA, the sponsor, is to work with the DILLINGHAM CONSTRUCTION COMPANY, based in Pleasanton, California, to provide final design, procurement and construction services.

Most of the funding for the project will be provided by a US\$82m (£42.7m) grant from the United States Agency for International Development (USAID). Most of the grant is to be spent on products and services from US companies.

Isle of Wight water disposal schemes

HIGH-POINT RENDEL is to design and supervise the construction of two major schemes for Southern Water to dispose of wastewater and stormwater from two Isle of Wight towns, Ventnor and Bembridge.

Work has already begun on scheme identification and the whole £18m project, incorporating treatment works, pumping stations, pipelines and long sea outfalls, is due for completion during 1995.

Ventnor and Bembridge are already in place after earlier feasibility work by two Southern Water companies, Southern Projects and Southern Science, and Rendel's first role is to identify appropriate schemes for planning approval. It will then undertake detailed design, prepare contract documents and supervise construction.

The Ventnor scheme is expected to incorporate a sea front interceptor sewer and pump station at Collins Point with a pumping main/gravity sewer to headworks at Flowers Brook and an 800 metre long sea outfall.

At Bembridge a pumping main/gravity sewer could run from a pump station at Lane End to headworks at Foreland Field Road, incorporating a 2,300 metre long sea outfall. Rendel will also be considering alternative proposals to include pumping 4km to a treatment works at Sandown.

£11m water projects awarded to Amey

AMEY GROUP companies have been awarded over £11m of water related contracts.

Amey Farr, the water division of Amey Construction, has been awarded contracts by Severn Trent, Welsh Water, Thames Water and WRC, including both sewage treatment and potable water.

The largest contract is the 27.2m Netheridge Sewage Treatment Works near Gloucester for Severn Trent. The scheme includes the construction of six million litres, four storm tanks and six final tanks, together with sludge handling facilities, pipework and siteworks.

A further contract for Thames Water Utilities is valued at £1m for additional works at Farmoor Reservoir near Oxford.

Amey Mac-Tric, based at Maidenhead, has a £1m contract in Scotland at the Longmans Pumping Station for Highland Regional Council.

£18m orders for Tarmac Construction

Four office developments are among contracts worth nearly £18m won by TARMAC CONSTRUCTION.

A £2.5m steel-frame office building is to be constructed for Reading Concrete Products at Reading and a £2m office block built in Edinburgh for Castle Properties (Scarborough).

A £1.7m three-storey office block with car parking is to be built at Reigate in Surrey for MGM Assurance, and a new

office extension at Swindon is to be fitted out for the Business Design Group (£1.3m).

A 1.5 kilometre length of Penistone Road, Sheffield is to be converted to dual carriage-way for Sheffield City Council at a cost of £3.1m.

Other projects include the refurbishment of the main entrance of the JM Centre in Liverpool for Centreville Estates (£750,000); an improvement scheme for King Edward Street in the centre of London

for the Corporation of London (£350,000); updating the Doncaster fish and general market for the Metropolitan Borough Council (£224,000) and a factory extension for Veka at Burnley (£200,000).

The contract housing department, which specialises in public sector work, has won a £3.8m contract to refurbish an 18-storey block of flats and provide new offices at Wolverhampton for Focus Housing Association.

Hospital refurbishment in Weymouth

WICKENS CONSTRUCTION, based in Chertsey, Surrey, has been awarded \$8m work in five contracts.

The largest, at \$3.5m, is a three-phase 70-week contract for Warden Housing Association to refurbish and convert Portway Hospital, Weymouth, into self-contained dwellings and to design and build a further 57 flats and houses.

At Worples Road, Teaworth in Middlesex, the company has begun work on a 22m 75-week contract to build a primary school for the London Borough of Hounslow. The work also involves demolition of the existing building.

The third award is a design-and-build commission worth £1.5m for a community day hospital in Cullompton, Devon

for Medixen. Also design-and-build is the phase 2 development contract valued at £36,000 for 30 houses for Knightstone Housing Association at Totton, Southampton.

The last is a refurbishment project worth £355,000 for offices at Fratton Road, Portsmouth for Portsmouth Housing Association.

Cutts moves to Chartered WestLB

John Cutts, one of London's growing corps of European corporate financiers, is moving shop again. Having helped build Samuel Montagu's European corporate finance network, he is joining Chartered WestLB as managing director, corporate finance.

The 41-year-old Cutts, who is fluent in German, French and Dutch, has not followed the traditional career path of most London merchant bankers. He started work as an engineering apprentice, building Rolls-Royce aero engines in Derby, then sold telephone answering machines around Europe. But it was not until he graduated from the Innes management school that he realised he wanted to be something more than an engineer.

He joined Amsterdam-Rotterdam Bank in the early 1980s and was involved in building up its mergers and acquisitions



team. At the end of 1985 he moved to EBC Amro Bank to head its corporate finance

department, and three years later switched to Samuel Montagu, the merchant banking arm of Midland Bank, was partly prompted by George London's appointment to the Midland

Bank board in 1988. London, a Dutch man, and Cutts, who is half Austrian, had worked together at Amro.

Samuel Montagu differs from many London merchant banks in having established a successful corporate finance network in various Continental centres, rather than servicing clients' needs just from the City. Cutts wants to do the same again at Chartered WestLB, a merchant bank jointly-owned by Standard Chartered and Westdeutsche Landesbank. Cutts knows Germany well, having been brought up in Düsseldorf, home of Westdeutsche Landesbank.

Cutts' former boss, Bowles, who was hired from Prudential-Bache Capital Funding two years ago, Bowles, who is also a corporate finance managing director, will concentrate on developing and marketing corporate finance products.

Bodies politic

Peter O'Keefe is the new national chairman of the INSTITUTE OF LOGISTICS AND DISTRIBUTION.

Amey Mac-Tric, based at Maidenhead, has a £1m contract in Scotland at the Longmans Pumping Station for Highland Regional Council.

Robert McDonald, chairman of Probus Housewares, has been appointed director of the STAFFORDSHIRE TEC.

Christopher Jones, senior partner of Drivers Jones, has been elected president of the ROYAL INSTITUTION OF CHARTERED SURVEYORS.

Peter Bottomley MP has been elected president of the WATER COMPANIES ASSOCIATION in place of Lord Elliott of Morpeth who was president for 17 years.

Brian Ellis, chairman of Richard Ellis, has been elected president of the LONDON CHAMBER OF COMMERCE & INDUSTRY.

Brian Koddick, an underwriter with GW Hutton, has become chairman of The SALVAGE ASSOCIATION.

Glenda Davies has been appointed director, securities and investment of the BRITISH MERCHANT BANKING AND SECURITIES HOUSES ASSOCIATION.

Clare Connery, writer and broadcaster on food, has been appointed chairman of TASTE OF ULSTER.



Russian lawyer, Ksenya Solovyova, has left the Paris-based American law firm of Salans Hartfield & Hellbronn to join City solicitors Lovell White Durand as a member of its east west trade group.

The daughter of the former Soviet Union's leading industrial designer, Solovyova studied international law in Moscow and spent 12 years at a government think-tank for developing the economy before joining Salans Hartfield in 1989.

Her role at Lovells will be to advise western businesses on the conduct of large transactions in eastern Europe.



Sir Desmond Pither will be stepping down as chief executive of the Littlewoods pools and retailing group next March after completing 10 years in the job.

He will be succeeded by Barry Dale, 53, currently finance director, who joined the Liverpool-based Littlewoods from London Transport four years ago.

Sir Desmond, who will retain his links with Littlewoods by becoming non-executive vice-chairman, intends to devote his time helping to regenerate Merseyside. "He will be 53 by next March and believes this will be an appropriate time to pursue the next step in his career," Littlewoods said.

During his time there, Sir Desmond has given Little-

C Itoh man for HSBC

Minoru Murofushi, the 61-year-old chief executive of C Itoh, one of the world's biggest trading houses, has been appointed to the board of HSBC Holdings, the new owner of Midland Bank.

This is believed to be the first time that HSBC, parent of the Hongkong Bank, has put a Japanese businessman on its board and is in line with the group's plans to give it a more international flavour.

Until now it has been dominated by local Hong Kong businessmen.

Murofushi joined C Itoh in 1956 after graduating in law from Tokyo University. In 1963 he was made general manager of the group's coal department in New York and became vice president of C Itoh (America) in 1971. He went on the board of C Itoh in 1986 and was appointed chief executive in June 1990.

Sir Peter Walters, chairman of Midland Bank, and Brian Pearce, Midland's chief executive, have also joined the HSBC board following the takeover of Midland.

Clans Moehmann has been appointed to the investment banking group of SWISS BANK CORPORA ZION. He will be based in London.

Brian Constant has been promoted to be a director of LLOYDS BANK's corporate banking division.

David Gibson has retired from HENDERSON ADMINISTRATION.

woods a far harder commercial edge. Its retailing arm, which includes Littlewoods stores and the latter chain of catalogue shops, has sharpened its focus and benefited from the introduction of computer systems. Sir Desmond was fully at home with such technology, given his background working for Plessey, even if he was not the most intuitive of retailers.

Dale has been appointed chief executive designate with immediate effect. "I think there will be adjustments on the tiller but there will be no change in the overall direction," Littlewoods said. It added its now-rival code that the Moores family, which owns Littlewoods, had no intention of taking the company public.

Architecture/Colin Amery

New York's
oasis of the park

It's summertime in New York and the heat is driving you crazy. The streets are steaming, the hydrants are streaming and only the oasis of the park can help to keep you sane. There cannot be another city in the world where a park is of such importance. It is like St. Mark's Square in Venice - an outdoor drawing room. But it is so much more than that. It really is *rus in urbe* and it is intended to be by its nineteenth century creators.

When the Street Commissioners of 1897 impressed the island of Manhattan with an immovable grid, they felt that the miles of waterfront around the shoreline would be enough to give the city breathing space and plenty of room for exercise and recreation. They were wrong. Commerce and the piers took up the waterfront and soon the highways, the bridges, the entries and exits from the tunnels filled up the desirable waterside places. There was a need for a lung.

It was not until 1858 that the city held a competition for the Central Park. It was won by a writer, Frederick Law Olmsted and an architect, Calvert Vaux. Their scheme was called "The Greensward".

There was something very original about their plan at the time. It was nothing to do with the classical ideas of the eighteenth century but it was deeply romantic and picturesque. It was to look like untamed nature but every inch of it was to be planned and designed. It was also to have whole areas where the denseness of New York could promenade in a more formal manner - taking the air in a leisurely

way - long before the advent of jogging and manic movement. The Park was also to house some cultural activities and among the rustic arbours and fountains music would be played and civilised pleasures provided.

Many of the wishes of the founders of the park have been fulfilled over the years. But there was a time when the joys of Central Park were overshadowed by its dangers. In the 1960s and 1970s vandals and criminals began to ruin the Park systematically. Only in the recent past has the New York City Parks Department, with the considerable help of the private fund raising group known as The Central Park Conservancy, been able to reverse the decline and begin the restoration of much of the park to the original design.

One of the areas that has been the subject of much restoration work and expenditure has been the park's mall, which stretches from 68th Street to 72nd Street on the east side of the park. An area just to the east of this mall is known as the Concert Grounds and here stands the remarkably handsome and appropriately Naumburg Band shell - a gift to the City of New York in 1921 from a music enthusiast, Elkan Naumburg. The limestone band shell resembles a giant ruined portion of a Roman building and its great coffered half-domed ceiling, while looking marvellous also projects the sound of an orchestra or band perfectly. The shell is inscribed "Presented to the City of New York and its Music Lovers" and it is not just a handsome object in the park but also a monument



The Central Park band shell: it has hosted concerts by the likes of Duke Ellington but is, amazingly, to be demolished

to the generosity of a private citizen. It has hosted concerts by Duke Ellington, Percy Grainger, Sonny Rollins, Benny Goodman and many others. It is, amazingly, to be demolished by The Parks Department.

The row over this perverse decision has grown and grown and complex legal proceedings are underway to try and save this part of the history of Central Park. If it is demolished it will be a great loss and it is hard to understand the reasons for its removal. These arguments are that it is "obsolete for today's amplified concerts" and the Central Park Conservancy are opposed to permanent concert sites in the park. I

would have thought that many musicians are anxious to play in "natural" acoustic conditions today, and that there is more than enough amplification of sound in a city like New York. The other main argument seems to be that the shell was not part of Olmsted's original design and that it partially blocks a view from the newly restored Wisteria Pergola. The other argument seems very spurious - that the band shell attracts the homeless, drug dealers and vandals. As one opponent of the demolition has written, "if that argument is used in favour of the demolition of historic buildings then New York should start with the demolition of Grand Central Station and work down."

The argument over the demolition of an agreeable, useful and important monument in Central Park demonstrates how vulnerable historic buildings are. I suspect that the "improvers" of Central Park who give generously of time and money think that they are doing the right thing. But in fact they are demonstrating the fallibility of those who believe in "authentic restoration". As the New York architect Robert Stern has written: "Central Park is no longer a 'pure' work of Olmsted and Vaux's. It is a palimpsest with many layers... History demands that we take a longer view, preserv-

ing all the best elements of the past, which is invariably more complex and varied than simply returning the clock to a particular moment will allow. The past should not be erased." How right he is. But will politicians see the subtlety of his point or will they wantonly destroy one of the survivors of the City Beautiful Movement? The band shell may be a small object in a great city, but the fight over its future concentrates the mind on the complex history of our surroundings. It is too easy to wipe out the generosity of the past and too easy to believe in the false gods of "authentic restoration" to remove anything that may get in their way.

Opera

Terrible Mouth

The premiere of *Terrible Mouth*, with music by Nigel Osborne to a text by Howard Barker, establishes Almeida Opera as a genuinely credible replacement to the much missed Almeida Festival.

While it does not attempt to match the sheer scope and ambition of its predecessor, this season's programme, with the Osborne opera as its centrepiece and flanked by the British premiere of Oliver's *Mario and the Magician* (already reviewed here by Max Lippert) and a double bill of *Vogel* and *Krenek*, gives a good sense of its distinctive direction.

It underlines too the potential of further collaborations between the Almeida Theatre and English National Opera's Contemporary Opera Studio. *Terrible Mouth* is built around a critical episode in the life of the painter Goya. The initial impulse for the piece was Barker's, his libretto dates back to the mid 1980s, was written unprompted and subsequently taken up by Osborne in a commission from BBC Radio 3.

In a *Guardian* article last week Barker described the background to his Goya text, the derivation of his title from the leering grin of a self-portrait

and its exploration of the painter's ambivalent attitude to the events he recorded and satirised, characterising him as "a man as much fascinated as repelled by disorder and sudden death".

The six tightly constructed scenes portray events in 1792 at a Spanish country house, where the reverberations from the French Revolution are destabilising society. The house has been transformed as a military hospital, and when Goya arrives with his mistress the Countess of Alba he is confronted for the first time with the realities of war, with the blood and the suffering that has fuelled his art.

The events force him to realise his complicity in these atrocities; the opera ends with Goya in Barker's words "painting himself into oblivion", as he begins a neutral, formal portrait of the Man Without a Conscience, the owner of the house.

Fundamental to the conception is a division of the part of Goya between an actor and a singer. Barker created the spoken role for Ian McDiarmid, the Almeida's artistic director; Omar Ebrahim takes charge of the vocal lines. They create a powerful dual

image at the centre of the piece, the one deaf, raving and incoherent, the other all vision and lyrical articulation.

The other principal roles are sung, but the interplay of actor and singer is carried over into the six-strong chorus, the Chorus of the Maimed, which creates the vocal background against which the main events are etched, a soundscape of guttural sounds and whispers, explosive horror and menacing gestures.

This is Osborne's third opera, and by some way his most consistently satisfying. After the miscalculations of the *Opera Factory* and the success of *The Electrification of the Soviet Union* for Glyndebourne in 1987, *Terrible Mouth* has a high musical specific gravity and tight dramatic coherence.

It last barely 80 minutes yet delves deeply into its subject matter; there are wonderful tensions between lyrical beauty and grim reality, some sonorous vocal lines and a baroque scheme that plots the course of the opera with confidence.

Osborne uses an ensemble of cellos perched high upstage as the basis of his musical structure; the remaining instruments, wind and percussion,

provide local colour and sudden expressive effusions.

David Pountney's production sustains and reinforces these nightmare visions and passing moments of humanity. It is spare and direct, with the minimum of scenic clutter (design by Nigel Lowery) and gives free rein to McDiarmid's vivid performance.

Ebrahim's intense Elizabeth Laurence is the Duchess of Alba, seductive and unfeeling by turn, Richard Van Allen the reptilian Man Without a Conscience. Neil Archer doubles the role of servant and revolutionary Captain; Clive Bayley is the sadistic surgeon, a sibling to the manic Doctor in *Wozzeck*, while Anna Steiger is the Hooded Figure, the image of death and destruction whose rapacious articulation Goya's voyage of psychological revelation.

They all contribute to a demanding piece of music theatre which may be short on compassion but is consistently absorbing and most eloquently argued.

Andrew Clements

Almeida Theatre; further performances on July 13, 15, 16 and 18

South African
theatre after
apartheid

It has taken the visit of an American director to stir the stagnant waters of South African theatre. Two decades of cultural isolation, combined with the widely-felt need to testify against apartheid, have created a local drama scene in South Africa of much energy but little variety. Now directors, writers and actors face new possibilities. But inevitably many find it difficult to shift their focus, to find new ways of saying and showing.

Professor Richard Schechner of New York University is the first international director of repute to work in South Africa for a long time. He is a guest director at the current Standard Bank National Festival of the Arts in Grahamstown, the elegant university town which was once at the heart of 19th century settler-Khosa wars.

Schechner, who was jointly sponsored by the bank and the US government, has brought August Wilson's play, *Ma Rainey's Black Bottom*. He cast and rehearsed it in Johannesburg, using mainly unknowns, before opening it at the festival this week.

The play is set in a Chicago blues recording studio in the Twenties and is a cameo of racial attitudes then and now. Unlike most of the 130-odd plays at the festival, it is not set behind a proscenium arch; instead, Schechner uses the entire auditorium as a stage. Thus the focus falls on the stage, rather than circumstances alluded to; on direction rather than performance; and on unspoken intimacies and nuances of relationship rather than statements. This obliqueness is foreign to the often strident realism and rhetoric of local theatre as it has succumbed to the twin pressures of reduced public funding of the arts and anti-apartheid orthodoxies.

The production represents one fruitful direction for the future. Others are emerging as artists face what Nadine Gordimer, echoing the psychologist Erich Fromm, calls the "year of freedom".

For the first time, a state-sponsored arts council, the Performing Arts Council of the Transvaal, has staged a work by the Nobel Prize-winning Nigerian poet and dramatist, Wole Soyinka. His *Death and the King's Horseman*, staged with statuesque simplicity, depicts the conflict between British colonial values and tribal custom. The tribal scenes are written with often operatic flamboyance, the colonial with easy, sardonic wit. The production boasts several fine performances, notably one of weary cynicism by one of the country's most impressive actresses, Nomhle Nkanyeni, who started her career with Athol Fugard's *Serpent Players* in Port Elizabeth in the Sixties.

A variant of the focus on the local is the blending of Fugardian psychological realism with the exuberant expressionism of song-and-dance of black improvised theatre. The blend is still uneasy, with marked gear-changes from action within the stage, which the audience observes, to action intended to arouse the audience. Breaks in narrative flow for a toy-toy performance (toy-toy is the march dance

used by black militants) to underline a politically correct sentiment demand a degree of flexibility of the audience.

This artistic eclecticism is seen, for example, in *Life in Hostels* by the Zakhleni Cultural Group, which also demands trilingualism, being performed in an insouciant mixture of English, Afrikaans and Zulu, like many workshop plays. The play takes place in a hostel for migrant mine-workers; intense, poignant revelations of degradation break suddenly into rousing tribal songs and dances; horrifying disclosures are swiftly followed by mordant comedy.

Such violent disjunctions are smothered in *Ekhaya-Musum Over Soweto* by painter/writer Matsemela Manaka. His musical is about a returning exile's dream of establishing Soweto's first museum. A band is on stage; the master of ceremonies is drunk and libellous; uplifting speeches are made at the audience, and enabashes of beer passed round. The ritual of the opening ceremony is intentionally blurred with the rituals of performance.

Multi-culturalism is more smoothly achieved in *The Nuga Moya Cinderella* by Natal's Theatre for Afrika. Their musical burlesque is set in a rural post office, complete with a gallery of South African types; the officious postmaster, the right-wing clerk, the resentful, militant son of the dead tea-lady. To raise money for his education, the post office staff stage a version of *Cinderella* for the village, setting their version in a Zulu kingdom. The white right-wing clerk plays the king; the handsome prince is played as a Soweto rock singer who is not too interested in rural pressures; the ugly sisters are played by a white and a black clerk. Ostensibly a light comedy, it consciously creates an image of hope and co-operation, identifying what is and what might be in the country at large.

Facing new freedoms has also encouraged South African playwrights to deal with topics previously considered insignificant: preserving wildlife; sexual inequality; sexuality itself. A bizarre feature of this new freedom is some nostalgia for the immediate past - of about three years ago. An Afrikaans duo has disinterred early Boer and Afrikaans songs, which they perform with all the flair of cabaret and disco. When they do the national anthem, *Die Stem* and come to the verse which talks of dying for the country, black audience members are stalking out, to the performers' apparent surprise.

White audience members took the same line when the country's best-known satirist described sex with identical twins in what is his first mature, well-made play, *Die Vleiros* (The Marsh-Rose). Pieter-Dirk Uys's play is his first to plumb beneath political surfaces. Like a surprising number of new South African works, it features a motif of a father-figure, dead but still influential, whom strong, living and often crazy women fight against. It's an apt metaphor for the emergent South African theatre.

Robert Greig



Ian McDiarmid: deaf, raving and incoherent

Almeida Theatre

INTERNATIONAL
ARTS
GUIDE

FESTIVALS

AIX-EN-PROVENCE

The festival opens tonight with Don Giovanni, conducted by Armin Jordan with a cast including Andreas Schmidt, Hillevi Martinpelto and Marianne Röhrling (also July 17, 21, 24, 26, 29, 31). Robert Carsen's production of Britten's *A Midsummer Night's Dream* - one of last year's hits - is revived on Wed (also July 18, 22, 27). The Rake's Progress opens on Thurs, with Kent Nagano conducting a cast led by Samuel Ramey as Nick Shadow and Tatiana Troyanos as Baba the Turk (also July 20, 25, 28, 30). Theodor Guschlbauer conducts Beethoven's *Missa Solemnis* tomorrow evening, and Samuel Ramey gives a Rossini concert on Sun. William Christie conducts Les Arts Florissants in a Monteverdi concert next Tues. Ends July 31. (16) 4217 3434

AVIGNON
Avignon is one of many festivals

gripped by Spanish fever this year. Lluís Pasqual's production of Lope de Vega's *La Celestina* d'Olmeco can be seen daily till Sun (except tomorrow) at the Cour d'Honneur du Palais des Papes. A French version of Cervantes' *La Siècle de Numance* runs daily till Sat at the Ciofres des Carmes, where the first of four performances of Pasqual's *Los Caminos de Federico*, can be seen next Mon. The festival also has a strong focus on traditional Latin American music, including a series of Mexican dance evenings at the Ciofres des Célestins. Ends Aug 3. (90) 862443

GLYNDEBOURNE

The final two weeks of this year's festival - the last in the theatre built by John Christie - are devoted to Death in Venice, *Januaria* and *The Queen of Spades*. Robert Tear is Aschenbach in the Britten production (tonight, Thurs and Sat). The Janacek (tomorrow and Fri) is one of Glyndebourn's most successful productions of recent years, thanks to Yakov Kreizberg's conducting, Nikolaus Lehnhoff's staging and a cast led by Robert Alexander and Anja Silja.

The Tchaikovsky (Wed and Sun), staged in tough theatrical terms by Graham Vick, also comes over with overwhelming force, thanks to Andrew Davis's conducting, the playing of the LPO and a cast led by Nancy Gustafson, Sergey Leiferkus and Gury Masurin. Ends July 24. (273) 541111

MACERATA

The festival opens at the Sferisterio on Wed with *La traviata*, conducted by Gustav Kuhn and designed by Josef Svoboda (also July 16, 26, 30). The programme later this month includes *La sonnambula* with Mariella Devia and four Rossini one-act comic operas. Ends Aug 11. (733) 230735

MONTPELLIER

The Radio France festival, which opens tonight with a concert performance of the original version of *Aida* (1871), devotes itself to off-beat operas, interspersed with a broad mix of symphonic programmes. Mark Kaplan plays Walton's *Violin Concerto* on Wed with the Orchestre Philharmonique de Radio France conducted by Marek Janowski. Stan Edwards conducts Friday's performance of *Oedipus at Colonus*, a Gluck-inspired opera written by the Italian baroque composer Antonio Sacchini during his stay in Paris. Stephen Hough plays Mendelssohn's *First Piano Concerto* in a symphonic programme on Sat conducted by James Loughran. Next week's performances include Handel's *Oratorio Jephtha* and Puccini's *Edgar*, with Françoise Pollet. Ends Aug 1. (67) 616681

MONTREUX

This is the final week of the jazz festival. Ringo Starr and his All Starr Band give tonight's concert at 20.30. Tomorrow: Bobby McFerrin and Herbie Hancock. Wed: George Duke with special

guests Herbie Hancock, Wayne Shorter and others. Thurs: Brecker Brothers and Tracy Chapman. Friday's concert is a tribute to George Wein and Stéphane Grappelli, and the grand final gala night on Sat features Quincy Jones, Ray Charles, Rake 6 and others. (21) 963 8282

ORANGE

This year's performances in the open-air Theatre Antique are Carmen with Kathryn Harries, Neil Shicoff and Barbara Hendricks (July 18 and 21), a Berlioz concert with Isabelle Vernet soprano soloist (July 20) and *Il trovatore* with Sharon Sweet and Lando Bartolini (Aug 8 and 11). (90) 518383

RAVENNA

The closing production of this year's festival is *Il matrimonio segreto* in Teatro Aligheri, conducted by Gianluigi Gelmetti and staged by Michael Hampe (July 15, 17, 19, 20). There is also a ballet production at the Teatro Rossini-Lugo (July 14, 16, 18), directed by Micha van Hoek, with music by Roberto Solci and featuring the Swingle Singers. Ends July 21. (544) 32577

SAVOLINNA

The Savolinnna Opera Festival, set in the imposing surroundings of Olavinlinna Castle in Finland, is celebrating its 25th anniversary. This year's programme consists of *Fidelio*, *Aida*, *Die Zauberflöte* and *Porgy and Bess*. The new production of *Fidelio* (Thurs and next Mon)

is staged by August Everding and conducted by Leif Segerstam. *Aida* (tonight, Fri and next Tues) has a cast of distinguished Finnish singers, including Matti Salminen and Tom Krause. *Die Zauberflöte* (Wed and Sat) is conducted by Hans Graf, and sung in Finnish. There is a final performance tomorrow of Laszlo Seregi's production of Prokofiev's ballet *Romeo and Juliet*. Ends July 31. (57) 514700

SCHLESWIG HOLSTEIN

The Labèque sisters, with the John McLaughlin ensemble, give tonight's concert in Saizau. Trevor Pinnock and the English Concert visit Rendsburg and Bad Segeberg on Wed and Thurs. Rudolf Buchbinder gives piano recitals in Heide and Altenhof on Fri and Sun. The Lithuanian Chamber Orchestra begins a tour of the region at Kiel on Fri, with festival director Justus Frantz soloist in Mozart's *Piano Concerto No 22*. Gergely Solti conducts the Festival Orchestra in a Wagner and Schubert programme at Neumünster on Sun. Later in the month there will be a chance to hear the King's Singers, the Hilliard Ensemble, the cellist David Geringer and the Lithuanian National Symphony Orchestra. Ends Aug 23. (431) 587080

SIENA

The Incontri in Terra di Siena, a chamber music series in Pienza and other small towns in the Val d'Orcia, south of Siena, opens on July 22 and continues

till Aug 9. The opening concert in Sinalunga is given by the European Community Chamber Orchestra. Booking for concerts and dinner can be made through Incontri in Terra di Siena, Casella postale 6, 53042 Chianciano T (Siena), Italy. Tel and fax (578) 64050

TANGLEWOOD

The Boston Symphony Orchestra's summer home offers a series of Beethoven concerts this week. Seiji Ozawa conducts tomorrow's programme, which features Alfred Brendel as soloist in the Fourth Piano Concerto (Tanglewood says Brendel has recovered from his recent indisposition). Thursday's recital by the Emerson Quartet is devoted to the Razumovsky quartets. On Friday and Sunday, Brendel plays the other four Beethoven concertos. Saturday's programme, featuring the Violin Concerto (Thomas Zehetmair) and Seventh Symphony, is conducted by Roger Norrington. Next Tues: Boston Pops. Ends Sep 1. (413) 637 1800

VERONA

This year's operas at the Arena are Don Carlo, Nabucco, *Aida* and *La bohème*. There are four performances this week: *La bohème* on Thurs with Lucia Mazzaria and Alberto Cupido, *Aida* on Fri and Sun with Sharon Sweet, Nicola Martinucci and Gail Gilmore, and Don Carlo on Sat with Luis Lima, Renato Bruson and Aprile Millo. Nabucco opens on Aug 7. Ends Aug 30. (45) 590109

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CNN
2000-2030, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report - weekly in-depth analysis from FTTV

2130-2200 (Tues) Media Europe - what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Ballin

0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SUNDAY
CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1830-2000 FT Eastern Europe Report

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday July 13 1992

Finita la commedia

"CRISIS" HAS so long been the normal state of Italian politics and state finances that foreigners are in danger of underestimating the crisis Italy is now experiencing. A rampant public sector deficit, an inconclusive election result followed by a 16-ballot presidential election, the country's top anti-Mafia magistrate murdered, leading politicians indicted for corruption, a fragile government formed after prolonged horse-trading, the public contemptuous of politics: so what else is new? Italians will go on working and making money, even if much of it is concealed from the authorities. Italy will remain a delightful country to visit and an enjoyable if sometimes exasperating one to do business with. Its politics, happily, will remain the least interesting thing about it.

Perhaps that instinctive response of the outsider will prove right, yet again. But this time Italy may have to confront some painful choices. The corruption and irresponsibility of the postwar state has in some respects been cumulative rather than static. The scale of corruption revealed by the current scandal in Milan - particularly in the higher reaches of the Socialist party - goes beyond what even the most shameless politician would have attempted in the 1950s or 60s: one reason why it has come to light is that corruptors can no longer afford kickbacks of the size demanded. Similarly the proportion of revenue absorbed in servicing the public debt has grown to almost unmanageable size.

Selling the recession

NOT BEFORE time, the British government has realised that if its economic strategy is to succeed it must deploy the most important weapon in its political armoury: persuasion. There are many Conservatives who are unconvinced that the gain, which lies in the future, is worth the present pain. Some, notably on the backbenches, openly question whether there will be a recovery unless there is a complete change of direction - a withdrawal from the exchange rate mechanism, say, or a temporary flotation of sterling. Yes, inflation is down, it is conceded, but where is the growth? They - and the country - need reassurance that there is something of value to be had for what has been called a price worth paying: that low inflation alone is not the whole prize.

Mr Norman Lamont started the process of persuasion in a frank speech on Friday night. The chancellor's determination to stick to the government's hawkish anti-inflationary stance could not have been more clearly stated. It was supported by the prime minister in an interview published yesterday. Given where the economy now stands, it is argued, there is no alternative but to stick with a hair-shirt strategy whose nature should have been clear when Mr John Major, himself then chancellor, took Britain into the ERM nearly two years ago. Unfortunately, the case for a long hard slog was blurred by 17 months of electioneering, during which it was intimidated by both Mr Major and Mr Lamont - not to mention

The recession does not help, even if it has affected Italy later and less drastically than other European countries. In addition, the convergence criteria laid down at Maastricht present a serious challenge to a country which needs both economically and psychologically to be in the European Community's first tier.

Above all, the Italian state is a child, and therefore now an orphan, of the cold war - its domestic politics dictated by the choice in favour of the west made in 1948. It has put up with an ever more corrupt and inefficient political system mainly because the only alternative appeared to be a communist-dominated government. But today, communism is no longer an alibi for the ruling class. That is why last April voters plumped in unusual numbers for maverick anti-system parties, including some which call into question the unity of the country.

The result of that election is paradoxical: a government composed of the same parties as before, with a narrow majority, but conscious of the need for drastic fiscal and institutional reform. It has begun boldly, by taking the axe to Italy's legendary corruption of a state pension system. If it carries on like this it should, according to the traditional rules, collapse. But this time traditional rules may not apply. Maybe the government will be able to appeal over the head of parliament to a wider public, which knows that the price of the usual governmental failure would this time be too high.

the Treasury's economic forecasts that recovery was just around the corner. Now that the election is out of the way the original argument must be rehearsed all over again. If the prime minister was hesitant about selling his strategy after April 10, it may be because he genuinely believed that consumer confidence would return once the threat of a Labour government had been removed. Mr Lamont, who has shown greater courage and persistence under pressure than most of his postwar predecessors, has until now been slow to perceive that he cannot hope to lead the British public on a long march towards permanent near-zero inflation unless you explain the benefits of such an endeavour. The need for political salesmanship will increase if there is no sign of an upturn after the summer holidays.

By that time, backbench doubts about the management of the economy will be bound up with doubts about the wisdom of ratifying the treaty on European union agreed at Maastricht. Mr Major has been robust in his responses to the Eurosceptics behind and above him, but the Tories remain divided. Yet, as with the ERM, there is no alternative for the government to the policy of keeping Britain "at the heart of Europe". This means ratifying Maastricht, unless the French veto it. The government is engaged in a doubly heroic endeavour. If it fails, so too do the prime minister and the chancellor. No wonder they have come out fighting.

Not at all costs

NOBODY SHOULD think that last week's outline debt accord between Brazil and its leading creditor banks means the country has surmounted its foreign debt problem. The risk that the outline deal will never be completed is high and, even if completed, default would still be possible.

Things are not totally bleak. The agreement might strengthen the position of Brazil's relatively competent economic team. The government is also publicly optimistic that its tax reform - essential to the accord's viability - will pass through Congress this year. Yet in no other country embarking on a Brady agreement has economic reform been so prone to reversal: in no other country has inflation been so high and the government's control over its finances so weak; and nowhere else has the government's hold on power been so fragile.

Brazil cannot boast a record of fulfilling its debt commitments: its 1988 pre-Brady restructuring agreement lasted for less than a year. A "Brady accord" is different from previous restructurings. Under this approach, most debt is converted into marketable bonds. Once these bonds have been sold into hundreds of portfolios, any future restructuring would make the current effort, hard as it is, look easy. Since the immediate cash benefits are modest, the main

value of the Brady deal to Brazil would be improved access to external market finance. That access could be shut off quickly if things went wrong after the deal is completed. If so, the deal could make things worse, not better.

While the banks may see short-term gains - the agreement should allow them to write back provisions and leave them with more readily marketable securities - instead of loans - a subsequent failure would hurt their portfolios, too. A possible knock-on effect would be a reduction in the value of their assets in other Brady countries.

Successful implementation of this package will almost certainly require support from the International Monetary Fund and the World Bank. But Brazil's current IMF standby programme has missed its first quarter targets and looks likely to miss its second quarter ones too.

Both institutions are likely to come under political pressure - not least from a US administration that would like to claim it has solved the debt crisis - to back the deal. If the fundamental economic case for supporting Brazil is weak, however, they should not yield.

This outline deal should not be completed at all costs. A deal that ultimately collapses would be worse than reaching no deal at all.

It is a curious fact that at this time of year Marks and Spencer's store in Boulevard Haussmann, in the heart of Paris, sells more muffins than all its 280 UK stores combined. Other quintessentially British products, such as crumpets, pies and sliced white bread, as well as *les slips, les boxer shorts and les t-shirt en lambswool*, also "just walk out the door" - as retailers are fond of saying - helping to make Paris the second biggest selling store in M and S with annual sales of more than £80m.

After 17 years of experimentation, M and S's 18 stores in four countries in mainland Europe are conspicuously coming good, vindicating the company's decision to expand its business overseas and prompting a further increase in its investment programme.

At this week's annual meeting, M and S's directors will no doubt highlight the strong performance of its European operations, which, in spite of heavy opening costs, increased pre-tax profits 13 per cent to £23m last year on sales of £183.7m. They will also point out the potential they still see in mainland Europe, and their target of opening another 20 or so stores by 1995.

M and S aims to build its European sales to £1bn in Europe by the end of the decade, producing profits in excess of £100m. Although this will still represent a small proportion of its total business it will be a crucial element in sustaining its growth momentum. "We simply see faster sales growth overseas than in the UK," says Mr Nigel Colne, the board director in charge of European operations.

M and S's success at expanding in Europe and the Far East - where it runs four highly profitable stores in Hong Kong - contrasts sharply with its experience in North America. Its three Canadian businesses, acquired in the 1970s, have lost £50m (£22m) over the past four years and are now being severely pruned. Its two US companies, Kings Supermarkets and the Brooks Brothers clothing chain, which between them cost it \$866m, have - as yet - failed to produce a return.

M and S's varied international forays therefore provide a good illustration of the possibilities and pitfalls of expanding a retailing business overseas - a task that an increasing number of UK retailers are attempting in the face of saturated home markets and the slowly evolving reality of the single European market.

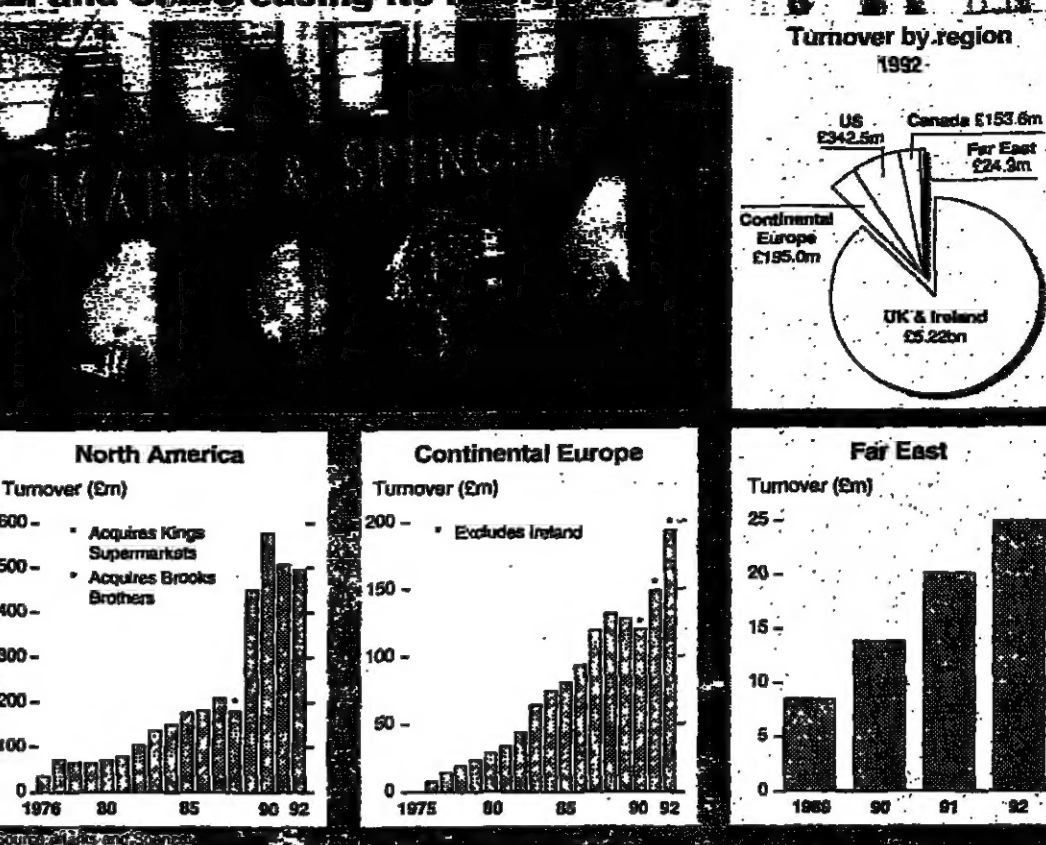
UK retailers need few lessons in how difficult it can be to follow the management maxim of the moment, "think globally, act locally". Over the past decade, scores of UK retailers, including Dixons, John Menzies and Sock Shop, have bought businesses in the US, having been seduced by the seemingly similar business culture and language. In 1980-88, UK retailers accounted for almost 60 per cent of the \$14.8bn invested by foreign companies in the US retail sector. With a few exceptions, these investments have produced dismal results.

Of course, the depressed market conditions for all retailers in North America have checked the progress of many UK companies. But there is also a more general management lesson to be learned from their collective experience: that it is exceptionally hard to make overseas retail acquisitions work, especially when they are more than 3,000 miles away. Organic expansion in nearby countries - often facilitated by joint ventures or franchises - can be a far safer, if less

M and S is stepping up its international expansion, writes John Thornhill

A European spark for Marks

M and S increasing its foreign forays



spectacular, route to successful expansion.

M and S is certainly now convinced of this. With almost no debt and a triple-A credit rating it would be easy for the company to gear up to make a big acquisition in Europe - assuming one could be found. But so far at least it has chosen not to. "I strongly believe in our current strategy of growing the business on an organic site-by-site basis. It may be relatively slower but it does enable us to learn as we go, limit our mistakes and have a more profitable business at the end of the day," says Mr Colne.

Yet it has taken M and S a long time to be persuaded by its own success. M and S opened three stores in Europe - in Paris, Brussels and Lyons - in 1975. This early involvement, says Mr Colne, owed more to gut-feel than science. "In the early 1970s, the then chairman, Lord Steff, instinctively thought that we ought to test ourselves internationally," he says.

The European stores initially encountered many problems: their products were panned for their high prices and poor style, and some of their trading policies - such as accepting returns of ill-fitting clothes - were simply not understood by customers. The absence of fitting rooms particularly rankled the French, who insisted on trying on goods before they bought them even if it meant stripping down to their bras on the sales

floors. M and S was forced to install them.

Most French retail outlets are either bazars or boutiques; M and S is neither. It took shoppers a long time to understand what the company was all about. "Our reputation for quality and value went before us in the UK as a result of our 100-year history. Here, we have had to earn it," says Mr Jim McDonald, manager of the Boulevard Haussmann store.

A result of the initially poor investment returns from Europe, the head office's attention was diverted across the Atlantic in the 1980s. But by the end of the decade, frustrated by the vagaries of the US marketplace, and with the European business beginning to post significant sales improvements, the board decided to make a greater commitment to mainland Europe.

The rate of expansion has now accelerated. In a two-month period at the end of last year, M and S opened five new stores in mainland Europe, in Seville, Nantes, Toulouse, Amsterdam and Lille, and completed a big extension. In the previous 15 years, M and S had opened just seven.

Most of the outlets it has opened are wholly owned, but this policy is adapted to meet the needs of specific markets. For example, in 1989, M and S concluded a 60:40 joint ven-

ture agreement with Cortefiel, one of Spain's largest retailers. This led to the opening of one M and S store in Madrid and another in Seville. Cortefiel, which runs its own fashion chains and a clothes manufacturing business, had a deep knowledge of the fast-moving but relatively under-developed Spanish retail sector.

M and S has also been rapidly expanding its network of franchises in small markets which do not justify the full M and S "treatment". The company has built up a franchise network in 17 countries, from the Bahamas to Norway, from Israel to Singapore with almost no capital investment on its part.

Further franchising opportunities exist in eastern Europe and the Far East. One of the great advantages of having stores in Hong Kong, according to Mr Colin Buchanan, Far East manager, is to keep an eye on the "huge demographic and economic shift" that is taking place towards Asia. "It would not surprise me if we were trading in mainland China in five years," he says.

But in the immediate future the priority markets are France and Spain. Another Paris store in the Rue de Rivoli is planned, while Valencia, Nice, Rouen and Marseilles are also on the opening list. Further out, the company believes there will still be great scope for growth in Europe. The total clothing markets in the UK, France, Spain, Holland and Belgium

where M and S runs its wholly-owned stores - are worth about £70bn. The German and Italian markets combined are worth the same.

M and S stresses that the creeping internationalisation of the business does not just bring in extra sales, it also strengthens its UK operations. By moving abroad, its management expertise improves, its retailing skills are more rigorously tested, and its buying knowledge becomes more sophisticated.

M and S says the investment returns from Europe are comparable to those obtained in the UK although the financial profile of its continental operations is very different. Prices are up to 25 per cent higher than in the UK but then management and distribution costs are also greater.

Sales intensities are lower because of the lesser number of customers. M and S obtains sales per square foot in excess of £500 in the UK - considerably higher than all but the best of its European stores.

Its mainland European stores also act as a test bed for its latest fashions, as the seasons start slightly earlier than in the UK. New concepts, materials and styles are quickly assimilated into the central buying information pool.

But a vast *melange* of commercial and cultural differences continues to make international retailing a demanding business; M and S readily admits it still has much to do to improve the way it communicates with customers.

The store's managers in Hong Kong were horrified to learn that the local Chinese were eating the *porc pource* displayed in the stores, believing it must be some delicacy. Spanish customers discovered that bready butter did not taste good on toast. The French did not appreciate Christmas puddings until they learnt they had to cook them.

But successful as its European operations have been, they have not yet fully benefited from what in the UK is M and S's greatest source of competitive advantage: its dominant size. M and S's purchasing power concentrated on a relatively narrow range of goods, its 15 per cent share of the clothing market, and a constant flow of 14m regular customers enable it to derive big economies of scale.

Although the European stores can feed off some of these strengths, they still lack the necessary support infrastructure to offer the full M and S catalogue of goods. In foods, for example, the company has not yet made the investment it needs to build a chilled distribution chain for its short shelf-life products.

But there are signs that M and S is close to reaching critical mass in Europe, enabling it to broaden its appeal and become a true mass market retailer. At present, M and S's gross profit margin in Europe is 10 percentage points higher than in the UK, partly as a result of the higher prices charged overseas and the different product mix: the balance between sales of the higher-margin clothing and lower-margin food is 60:40 in the UK, 90:10 in Europe.

"Our philosophy for the years ahead will be to drive down margins to increase volume," says Mr Colne. "I would like to think that in five years we will have far more customers and so be able to reduce prices. We will then be able to repeat the virtuous circle we achieved in the UK both of improving value and increasing market share."

Samuel Brittan

Debt workout dangers



Norman Lamont's analysis, in his speech on Friday, of the various deceptive quick fixes for getting around, or out of, the exchange rate mechanism (ERM) constraints should be read in full. It can be obtained from HM Treasury Press Office, Parliament Street, London SW1P 3AG. Tel: 071-270 3238; Fax: 270 5244.

Mr Lamont is enough of a politician to know how much he is putting himself out on a limb and that the official Treasury would not hesitate to leave him as a scapegoat if it changed its mind about the appropriate policy regime.

I shall say nothing more about the ERM until after the Bundesbank council meeting on Thursday, and instead turn to a problem that could weaken the whole industrial world and, with it, debilitate the ex-Communist countries and the third world as well.

This is an aspect of the debt problem. It is often said that recovery is held back because people and businesses prefer, whenever they receive some cash, to reduce debt rather than buy more goods and services. The problem is acute in the US and Japan and therefore cannot be blamed on the ERM.

The nature of the threat is little understood. If it were just a question of people wanting to get their indebtedness down while incomes remain the same, before resuming normal purchases, it would not be the end of the world. Economic growth never has been and never will be an entirely smooth process. But it could be worse.

Let us take a closer look at the process of repaying debt. Is it just working off the excesses of the previous boom? It would be easy to understand the need for it if there had been great physical mal-invest-

ment in the wrong industries or processes - the extreme example being the obsolescent and polluting plants in the ex-Communist states.

I have to pinch myself, however, to see excess debt in a similar light - why people should be unemployed and capacity unused because of entries on balance sheets. A possible reason is moral hazard. If imprudent, or even just unlucky, borrowers are always to be bailed out by official policy, they would have every incentive to do it again, which can hardly be good for the long-run development of the economy. The purpose of leaving people to work through their own debt is to teach them that there is no such thing as free or riskless credit.

There is, however, a precise way in which the debt workouts can go

The boy who cried wolf should have drawn a sketch so his family would have known what to look for

too far. One person's spending is another person's income. If I cut down my spending too far, my income is reduced and with it your ability to service your debt, which in turn will hit your expenditure. A cumulative downward process - which might be called the debt repayment multiplier - is thus a possibility. If it were to happen, it would not necessarily show up fully in the savings ratio, as incomes would be reduced as well - a subtlety that is usually missed.

We are talking of dangers not actualities. There is little sign of such a downward multiplier in operation. There are plenty of cushions which normally prevent it. Moreover, it is normal at the end of every recession for some people to fear that the economy is entering a

new long-term depression just when it is about to turn upwards. The OECD Economic Outlook showed that gross national product (GNP) in the main industrial countries has risen by an estimated 5 per cent per annum in nominal terms in the first half of 1992. By no standards is this a cumulative downward spiral.

Those who think otherwise still suffer from the delusion that governments have the power to manage demand in real terms, irrespective of what happens to prices and pay. Even after Britain's anti-inflation success, the underlying RPI has still only moved down to 4.8 per cent per annum - enough to take up nearly all of a normal 5 per cent increase in spending, leaving little room for real growth.

It is always wise to be prepared. The boy who was disbelieved because he cried "wolf" too often would have been better employed drawing a sketch so that his family would have known what to look out for. What is lacking among the leaders of the Group of Seven is a recognition of their responsibility to maintain - but not to inflate - world demand in nominal terms. This may not be easy, if people react perversely to such stimuli by saving all the more. There could in the end be a need for New Deal strategies which might guarantee certain kinds of credit.

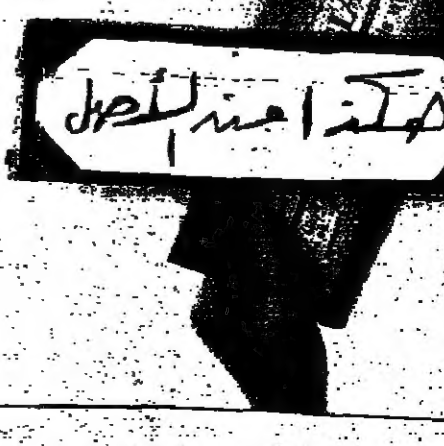
But we are far from being there yet. So far, the G7 leaders have not even recognised their responsibility for managing nominal demand jointly. The ones who talk about demand and growth - mainly the Americans - forget the little word "nominal" and still believe that they can influence directly the real economy. But many of the others do not seem to recognise any responsibility for demand management and have thrown out the Keynesian baby with the bathwater. We all need to get out our sketch-books and look out for wolves.

IN SWITZERLAND

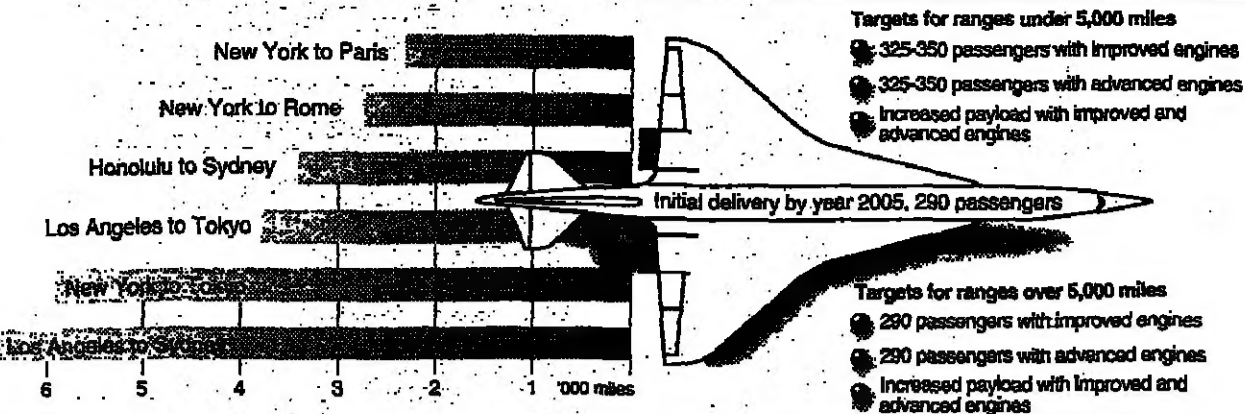
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After Concorde



Old age threatens to clip Concorde's wings

The next generation of supersonic airliners will require an unprecedented level of international co-operation, says Paul Betts

From the British Airways headquarters at London's Heathrow airport, mechanics could be seen examining the rudder of a Concorde sticking out of the big hangar known as Technical Block B.

The rudders of each of BA's seven Concorde, the flagships of the airline's fleet, are normally inspected after every 50 to 100 flights. But BA is now subjecting this section of the aircraft to minute checks after every five flights. This follows a series of incidents in which parts of the rudder have fallen off in supersonic flight, although none represented a serious risk to the aircraft.

For BA, the UK authorities and air accident investigators, the manufacturers, Concorde's rudder problems have been an embarrassment. They have also raised questions on how much longer the world's only supersonic passenger jet, which entered regular service with BA and Air France more than 15 years ago, can continue flying and whether a new generation of supersonic aircraft will eventually be developed to replace it.

Since 1989, three BA Concorde have lost large sections of their rudders in mid-flight, most recently on March 21, when a New York-bound Concorde lost most of the upper section of its two-piece rudder while flying at 56,000 ft at Mach 2, or roughly 1,300 mph. In all three cases, the aircraft, which yesterday completed 250,000 supersonic flying hours in commercial service with BA, flew safely to its destination. "It's not critical, but the fact it happened more than once makes it serious," says Mr Alistair Cumming, BA's director of engineering.

To leave nothing to chance, BA has now asked British Aerospace, responsible for the original rudder design, to manufacture a new series of rudders for its Concorde for a total cost of about £3m. Although the new equipment is expected to resolve the fault,

the rudder failures are signs that the aircraft is showing its age. BA said the supersonic hours flown by Concorde now totalled more than the supersonic flying hours completed by the combined air forces of the west since the introduction of supersonic combat aircraft. And unlike subsonic jets, Concorde has had to operate in more stressful conditions with the aircraft subjected to more intensive and frequent changes of temperature when flying at Mach 2.

Each Concorde is at present cleared by the UK and French airworthiness authorities to fly a total of about 7,000 supersonic flights. BA's supersonic jets have already completed about 4,000 flights and are expected to reach their current operational limit by 1998-99.

BA and Air France, together with the airframe manufacturers (BAe and Aerospatiale) and the engine suppliers (Rolls-Royce and Snecma), are working to try to extend Concorde's life into the next century. The airlines hope to stretch the life of Concorde until 2010.

This will require design adjustments and improvements on which the airlines and the manufacturers are already working. Mr Cumming said BA would be fitting one of its operational aircraft with instruments to measure the stress on the airframe structures to provide the information to tackle any structural weaknesses and potential areas of distress.

"It could involve lots of small things like changing the radius of certain components facing high stress or polishing a surface," he said. On older subsonic aircraft, airlines and manufacturers usually wait until a crack appears on the airframe before taking action. But Mr Cumming said it would clearly be unwise to adopt the

same procedure for Concorde.

The airlines expect the cost of improving the Concorde structure to be relatively small since adjustments would be phased in during the already exhaustive maintenance programme of each aircraft. Averaged out over a year, every Concorde undergoes 22 hours of maintenance for every one hour of flight compared with seven hours of maintenance for a Boeing 747 jumbo.

Although it was hit last year by the slump in airline traffic and the general squeeze on first class travel, Concorde in recent years has operated profitably for BA and Air France. Apart from regular transatlantic services, the two airlines have also developed successful charter businesses for their supersonic jet.

But for all its technical achievements, Concorde remains an economic failure. The profits BA and Air France make on their supersonic operations include no depreciation on the aircraft's £150m development cost. And if the cost of keeping Concorde in service should suddenly jump and huge sums be necessary to refurbish and re-equip the aircraft, the airlines would have to re-examine the economics of their Concorde operations.

Apart from modifications to stretch the aircraft's working life, spare parts are likely to pose another big problem. Scores of different small components from a myriad of suppliers will have to be manufactured, redesigned or replaced. Careful planning, according to Mr Cumming, will be critical to avoid the risk of spare parts running short and eventually grounding the aircraft.

The challenge for the manufacturers and the airlines is to keep Concorde flying until a second-generation supersonic airliner is ready to replace it.

OBSERVER

Failing a German test

■ The House of Warburg, which has been advising Aachener und Münchener Rückversicherungs - Germany's second largest insurance company - in its battle with Assurances Générales de France is putting a brave face on its client's sudden rapprochement with the French insurance giant.

"A compromise rather than a climbdown," is how Warburg's Piers von Simson describes last week's outbreak of peace between the two feuding insurers. However, it is yet another reminder of how difficult it is for even a top London merchant bank to win its spurs overseas.

For a start, banks like Warburg are making a living in Germany defending what would be indefensible at home. They are good at advising their Continental clients on relative values, but twisting arms behind Germany's corporate scenes is a different task altogether. Hence, it is hard to measure their effectiveness in the recent spate of German bid battles.

By contrast, there is little doubt that the end of hostilities is a defeat for AMB's fiery chief executive, Wolf-Dieter Baumgartl. He had staked a great deal of his credibility on fending off the French. Like Horst Urban, whose robust defence of Continental Tyre against the Italians cost him his job, Baumgartl's days at the top of AMB seem to be numbered.

Stopwatch

■ André Agassi, the 22-year-old tennis champion, was wearing a wrist watch when he won Wimbledon the other day, and it was almost

certainly made by Ebel, the Swiss watchmaker which has been sponsoring him for four seasons.

So why isn't Ebel highlighting the fact in its advertising campaign? An advert in last Friday's Independent focused on Agassi's victory in an obscure Frankfurt tennis tournament in November 1990 and mentioned a few other events which Agassi had failed to win. But no word of the most famous victory of all.

Perhaps Ebel's advertising agency should be sent to the menders.

Needled

■ Tales abound of how Mohamed Boudiaf, the Algerian president who was assassinated last month, lived a far more austere life than his predecessor Chadli Bendjedid.

When Boudiaf moved into the president's residence in January he was surprised to discover that he had inherited the services of one Francesco Smalto, an Italian fashion designer. Would the new president be requiring Smalto's services?

Boudiaf declined, pointing out that his old suits, which he had worn for years, would continue to do the job nicely.

Starting up

■ Georges Ghom, the latest mogul to strut the French media stage, is a relatively unknown quantity even in France. He first popped up three years ago when he and his partners bought La Côte Desoëses, one of the bibles of the French stockmarket.

Now he has acquired the loss-making La Tribune de l'Expansion, the country's second biggest financial daily. A 38-year-old Lebanese-born



Journalist, Ghom came to Paris to study and soon afterwards began editing and publishing various newsletters specialising in Africa and the Arab world, for groups such as Kol-Al-Arab or Panarab Media. For a while he published a newsletter in association with the Middle East Economic Digest.

His latest move is his most ambitious to date. He plans to merge La Tribune with La Côte, which publishes all the stock market prices, and produce a full economic and financial daily. But making it financially viable will not be easy, as the demise of La Tribune has indicated. And it might be difficult to merge the conservative editorial style of La Côte with the more aggressive style of La Tribune.

Polished off

■ Will the Midland Bank's new owners really be prepared to take the axe to the Midland's dead wood?

East Devon Polishers, a firm of French polishers, has already registered its concern. "These premises contain some of the most spectacular

examples of fine British architecture and special woods still in existence", says East Devon in a letter to the Hongkong Bank's finance director. If the hatchmen are let loose on Midland's old offices, some of the woods will "never be seen again owing to rain forest devastation and infestation of European hardwoods".

East Devon hopes that the Hongkong Bank will polish up its architectural strategy and spare Midland's dead wood. "We are certain, having worked in many banks, that the historic values and warmth of the older banks have a great appeal to the general public."

Pints of law

■ Who says a policeman's lot is not a happy one?

A member of North Yorkshire Constabulary admitted drinking 7½ pints of strong beer while investigating allegations of after-hours drinking at the Huntsman Inn at Drax. During a lengthy undercover operation, he and his two colleagues had consumed a total of 38 pints of ale and an unspecified number of whisky chasers, at a cost to the taxpayer of more than £50.

Still, the public purse has emerged with a profit. The pub's licensee was fined £1,200 and ordered to pay £180 costs.

Hot potatoe

■ Senator Al Gore, who is to be Democrat Bill Clinton's running mate for the US presidency, is not seeking the traditional televised debate with his Republican opposite number, vice-president Dan Quayle.

Instead, Gore has challenged Quayle to a televised spelling bee.

LETTERS TO THE EDITOR

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Economic options not so dismal

From Mr Walter Grey.
Sir, Your "Unhappy, all options are dismal" advice to economic policymakers ("A beleaguered government", July 7) itself erred, it seemed to me, on the dismal side.

First, rather than "push for the earliest possible move to (European) economic and monetary union with a (European) central bank that would look at the European economy as a whole, and not just one region of it", the government should immediately institute an independent Bank of England to manage the nation's money in place of, and more prudently than, vote-seeking politicians (ie itself). This is on the principle that sound monetary (and economic) management, like charity, begins at home. And it would pay the government, and the rest of us, hands down. If nothing else, it would bring interest rates down sooner and faster than otherwise.

Of course, the government should also drop its ERM opt out clause, if only to retrieve London's (or other British cities') otherwise lost chance of landing the valuable (not to say invaluable) price of providing that European central bank's home.

In addition, besides continuing to resist any idea of a sterling devaluation, within or outside the EC, with might and main, the government should take advantage of its current EC presidency to press for a general realignment centred, as in present circumstances it clearly must be, on a revaluation of the D-Mark (and so only indirectly constituting a devaluation of other ERM currencies, sterling included). Such a move would not only help Germany's own post-unification struggle against inflation, which is holding the ERM in its thrall, but also relieve some of the pressure on (and allow more room for manoeuvre to) Germany's ERM partners and others.

Both options are opportunities too good to be missed at this critical juncture. Walter Grey, 12 Arden Road, Finchley, London N3 3AN

Proposals for protected trade are confused and misleading

From Mr Stephen Thomsen.
Sir, Prof Ronald Dore's prescriptions confuse the benefits of inward investment with the disadvantages of trade barriers (Personal View, July 5). While the gains from such investment are tangible, the harm inflicted on the local economy from the coercive policies designed to attract that investment is often more obscure.

Inward investment is to be welcomed, but tariff-jumping operations are no better than the protected local firms that they replace. Governments can only coerce firms to invest by maintaining high tariff walls against imports. Without such a protected market, they are unlikely to be willing to incur the higher costs of producing locally.

As with old-fashioned protectionism, Prof Dore's neo-mercantilist policies fall to address the likely effect on world economic welfare when all countries are playing the same game. As more and more countries compete for the same efficient Japanese factories, the only beneficiaries are likely to be the Japanese firms themselves. The greater costs of production from foregone econo-

mies of scale from too many plants in too many countries will be incurred by local consumers who must face high prices in order to sustain local production.

Hence, to pretend that investment-involving import quantity restrictions are somehow economically justifiable while protectionism is not is fatuous. The outcome is the same except for the fact that monopoly profits accrue to a foreign firm rather than to local shareholders.

Prof Dore might also want to reflect on whether the disappearance of the British motorcycle industry in the space of a decade is a testament to "the bankruptcy of the comparative advantage paradigm", or a tribute to its success.

Stephen Thomsen, The Royal Institute of International Affairs, Chatham House, 10 St James's Square, London SW1Y 4LE

No massive state support for Air France

From Mr François Eldin.
Sir, We were most surprised to read a letter from Mr Thomas McDonogh (June 24), chairman of an Irish transport users' committee, stating, quite erroneously, that Air France was one of roughly seven airlines in Europe that are "technically bankrupt". He also added, erroneously, that "these national airlines receive massive support from the various governments, a support which is denied to the private sector". All of this is nonsense. Air France is in no way technically bankrupt. Neither does it receive more support from the French government than any private company would receive from its shareholders.

Last year, the French state, which owns 99.4 per cent of Air France shares, decided to participate in a FF2bn (£205m) increase of Air France capital as a shareholder's contribution to an Air France Group three-year investment programme worth FF40bn. This capital increase was reviewed in depth by the European Commission, which ruled that it was not state aid. In other words, it is the normal contribution of a shareholder to the development of his company.

FT readers will I am sure, be interested to know that Air France had not received a capital injection from its shareholders since 1985. On the contrary, since 1984, the airline has paid out FF1bn to its shareholders in dividends on profits.

François Eldin, vice-president corporate communications, Air France, Paris

When Sky's the limit

From Mr P J R Baker.
Sir, Mr Richard Brookes' euphoria (Letters, July 7) over the recent up-bat performance of BSkyB perhaps needs to be tempered with the realisation that pay TV is likely to be a loser (in the short-term).

I purchased Sky TV earlier this year to watch the cricket world cup and consequently pay a monthly fee. The introduction of a further fee to allow me to watch (second rate) Premier League football matches and the other sports I already receive will not be countenanced.

At the end of my existing agreement in 12 months' time my aerial will be returned. Speaking to other subscribers, that is a common reaction. P J R Baker, 17 Arne Grove, Horley

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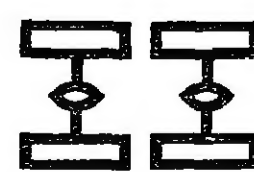
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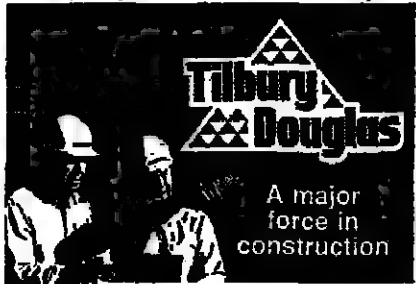


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INSIDE

Bramalea moves to shore up confidence

Bramalea, the debt-burdened developer controlled by Toronto's Brindman family, expects to withdraw from the North American industrial property market and retain only a handful of its Canadian office buildings as part of a last-ditch effort to maintain the confidence of its lenders. Page 12

Clinton worries bulls

When the Democratic party crowns Mr Bill Clinton (left) as its presidential nominee, it is also likely to send a shiver of apprehension through an otherwise bullish US credit market. For anything that detracts from the chances of President George Bush being re-elected will be taken badly by the bond market, which still seems to assume a Bush victory and fears that inflation would be re-ignited by the kind of national investment programme being advocated by Mr Clinton. Page 14

Provision by Rothschild Bank

Rothschild Bank, the Zurich-based private bank controlled by Britain's NM Rothschild & Sons, has dissolved its hidden reserves to make provision against possible loan losses. Sir Evelyn Rothschild, chairman of NM Rothschild, said the bank had decided to dissolve hidden reserves of \$285m (\$44m) as a safety measure. Page 12

Bundesbank clears regulations

The market for debt issued in D-Marks, long shackled by cumbersome regulations, is at last catching up with comparable sectors. Page 13

A return to relationship banking

Ranks Hovis McDougall, the food processing group, looks likely to become the latest UK company to refinance a complex loan facility arranged in the late 1980s with a simpler, relationship transaction. It is replacing a \$250m (\$477m) multi-option facility with a revolving loan syndicated among a smaller group of relationship banks led by Barclays. Page 14

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FTSE 100 bond index	14	New 100 bond issues	13
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Lord King likely to step down at BA

By Paul Betts, Aerospace Correspondent

A LONG-EXPECTED top management transition at British Airways will be announced tomorrow at the airline's annual general meeting when Lord King, BA's 75-year-old chairman, is likely to indicate his intention to step down.

But Lord King, who was brought in by Mrs Margaret Thatcher, then UK prime minister, 12 years ago to reshape the airline and privatise it, is expected to maintain close connections with BA by becoming its honorary chairman for life.

Lord King is expected to indicate at the annual meeting his intention to relinquish his post as chairman this year or next.

In spite of his appointment as honorary life chairman or president, the move will mark an end of a significant era in the history of the UK flag-carrier.

Under Lord King, BA was transformed from a loss-making state-owned carrier popularly known as "Bloody Awwl" into one of the world's most profitable and successful private airlines.

BA recently reported a 120 per cent increase in pre-tax profits to \$285m (\$44m) for the financial year ending March, bucking the trend in the airline industry, which has seen many leading

carriers reporting heavy financial losses because of the recession and the air travel slump caused by last year's Gulf war.

The airline is currently negotiating an alliance with USAir, the sixth-largest US carrier, as part of its efforts to strengthen its global presence and competitiveness.

Lord King recently said his airline was interested in forging alliances with carriers in the US, Europe and Asia.

Sir Colin Marshall, BA's chief executive and deputy chairman, is widely expected to take over as chairman. Lord King recently indicated BA was not looking

outside the company for his successor.

Sir Colin has also been deeply involved in the restructuring of BA. Many in the industry believe that one reason for BA's success is the strong management team led by Lord King and Sir Colin.

However, Lord King's departure as chairman is likely to lead to other changes at the top of the company. Apart from the appointment of a chairman, BA is likely to appoint a chief operating officer to flank the chairman and chief executive.

One possible candidate is Mr Robert Ayling, who recently made his mark as head of marketing and operations.



Lord King: transformed 'Bloody Awwl' airline

Hanson expects UK and US acquisitions

By Roland Rudd in London

LORD HANSON, chairman of the Anglo-US conglomerate that bears his name, yesterday said the group planned to build its core businesses through acquisitions that were more likely to take place in the US and UK than in mainland Europe.

"Bargains will continue to arise both here and in the US", he said in London.

Hanson has recently said it is keen to build and expand seven core businesses. In the US they are Peabody Coal; Cavenham Forest; Beazer USA; Grove Industries; and SCM Chemicals. In the UK they are Imperial Tobacco; and building products groups, including ARC and London Brick.

Quoting from a private speech he gave to the Worshipful Company of Actuaries in London on Thursday, Lord Hanson said: "The days of Hanson's growth through acquisition are not over. It's the timing which counts. At present, disposing of small peripheral businesses and adding new ones to our core companies is probably right."

While the conglomerate is still looking at the possibility of buying businesses in Europe he warned: "There are drawbacks which prompt my strong belief in the priority of our present trans-Atlantic companies. There are untold legal... financial and union problems in direct corporate investment in the EC... which require a cautious approach. Look at France. The country's road system paralysed by farmers and truckers. Corporation tax in Germany, after eastern European surcharge and local income tax... could be 65 per cent - double the UK rate."

He added: "I believe the recovery in the economies of the United States and the UK which were expected to take place by the end of 1992 are more likely to be delayed until the end of 1993 and a lot of companies that just managed to hang in there last year are now in worse trouble... they're now saying 'Well, we would like Hanson's help!'."

He warned the actuaries that corporate governance has been "somewhat overworked of late". He said: "Changes won't take place by loading the board with non-executive directors. Their role is not part... as watchdogs. It's part of the single board. How often do companies need watchdogs? What they need are board-dogs who will help the company hunt down its targets."

Alan Friedman analyses a structural change in the US energy sector Oil industry refines its operations

THE US oil and gas industry will this week begin reporting mainly lower second-quarter earnings against a backdrop of dramatic reductions in capital spending and job numbers at many companies.

The cuts are more than a cyclical reaction to the weakness of US demand for petroleum products and crude oil prices that are well below levels seen just before the Gulf war in January, 1991.

Instead, industry experts say the US sector has begun a structural change that could ultimately shift much exploration and production away from the United States while raising energy prices for retail and corporate consumers.

The challenges facing the US energy industry are several. Congressional and local restrictions on drilling in places such as the waters off the coasts of Florida and California and the coastal plain of the Arctic National Wildlife Refuge in Alaska are causing many companies to redirect their exploration efforts away from the US.

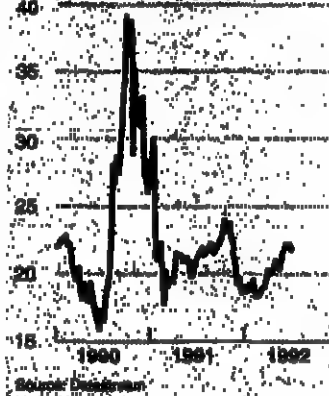
The restructuring of the oil and gas industry is also causing many companies to slash operating costs. That means sharp reductions in capital spending budgets, selling non-strategic assets and saving money by redundancies that on average will eliminate up to 15 per cent of the workforces of several big US companies.

Although the restructuring process has been underway for more than a year, last week saw several announcements that are typical of the trend. Last Monday, after a survey of 247 companies, Salomon Brothers forecast a drop of nearly 20 per cent in 1992 spending on North American exploration and production.

Spending by these same companies outside the US was projected to rise by 9.5 per cent. On Tuesday, Mobil, the second biggest US energy group, said its

US oil price

West Texas Intermediate (\$ per barrel)



Capital spending

On oil and gas exploration and production by top five US groups (\$m)

	1991 actual	1992 estimate	% change	1991 actual	1992 estimate	% change
Exxon	2,095	1,850	-11.7	3,040	3,325	+9.4
Mobil	920	800	-13.0	1,361	1,500	+10.2
Texaco	905	709	-21.7	1,044	1,112	+6.5
Chevron	1,050	850	-18.1	1,100	1,250	+13.6
Amoco	965	500	-48.2	1,233	1,200	-2.7

Source: Salomon Brothers

which fell by an aggregate of more than 60 per cent in the first three months of 1992, are expected to drop by at least 10 per cent in the second quarter and by almost as much for the whole of 1992.

The result is that many companies are slashing operating costs. That means sharp reductions in capital spending budgets, selling non-strategic assets and saving money by redundancies that on average will eliminate up to 15 per cent of the workforces of several big US companies.

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1992 capital appropriations budget would be \$1m less than previously predicted. The company's payroll was forecast to decline by 10 per cent by year-end and the disposal of more than \$600m of assets was forecast.

Wednesday saw Amoco, the fifth biggest US energy company, unveil plans to take an \$800m restructuring charge in the second quarter and to reduce its workforce by 8,500 employees, or nearly 16 per cent, by the end of next year.

On Friday, Mr Charles Dibona, president of the American Petroleum Institute (API), complained that lower crude prices, the sluggish economy and drilling restrictions had caused the loss of 60,000 US energy jobs over the past year and could lead to another 50,000 redundancies over the next 12 months.

In New York, Mr Larry Goldstein, president of the Petroleum Industry Research Foundation, reckoned the US sector was facing "major structural changes", including a dramatic shift in

exploration budgets from the US to places such as the republics of the former Soviet Union, Colombia, Yemen, Algeria, Venezuela and Indonesia.

Mr Goldstein said spending cuts had "decimated" the US exploration and production infrastructure of so many companies that the ability of the industry to respond in a timely manner when the economic recovery eventually strengthened was now in question.

In Houston, Mr Roger Frey, an energy sector loan specialist at Chase Manhattan, attributed the structural changes to both mounting environmental costs and the fact that "the industry can no longer bank on steady price increases".

He said there was a realisation by the industry of the need to adjust to only moderate oil and natural gas prices in the foreseeable future.

Mr Dibona of the API argued that while the US energy sector would eventually be leaner and

more competitive, the shift away from exploration and production in the US could be permanent and could affect the US balance of payments in the 1990s.

Compounding the outlook is the fact that US refinery capacity is forecast by analysts to drop by between 5 per cent and 10 per cent during the next three years, while the nation's proven reserves continue to decline over time.

The implications of the US energy sector's restructuring were summed up two weeks ago by Mr Victor Burk, managing director of the oil and gas industry services division of Arthur Andersen, the consultancy. Although Mr Burk said the shift away from US exploration would continue, he noted this did not mean the US would be abandoned. Rather, the industry would enter a new era when exploration would be pursued on the basis of geographical, operational and technological niche opportunities.

Mr Paul Ting, an oil analyst at Oppenheimer in New York, concluded that while 1991 was a bad year, with net income down by 21 per cent for the top 10 US energy groups, profits in the current year would also decline, although less sharply.

With refining and marketing margins under pressure, much of the earnings sweepstakes in the latter half of 1992 will depend upon the price of crude, which is not expected to rise in a significant way.

Earnings could improve again next year, thanks partly to the lower operating costs being wrought by restructuring. But neither US job levels nor exploration activities are expected to return to past levels for quite some time.

G7 passes the future of Russia to the IMF

IF any organisation emerged with its stature enhanced from last week's lacklustre Group of Seven economic summit in Munich, it was the International Monetary Fund.

Mr Michel Camdessus, the IMF's managing director, made an unprecedented appearance at a G7 meeting to brief finance ministers about his negotiations in Moscow on Russia's economic reform programme. The backing given by the G7 communiqué to co-operation between the IMF and Russia showed how the big industrial democracies have effectively subcontracted responsibility for helping Russia and other former Soviet republics integrate into the world economy to the IMF.

But is the IMF's high-profile role in Russia such a good thing? Is the fund itself the right organisation to deal with Russia's problems? Could it be that the western industrial powers are overestimating its ability to keep Russia on track? Is there a danger that it will be overwhelmed by the huge difficulties to be tackled in Russia and emerge from the experience with its prestige and effectiveness diminished?

The failure of the Russian government to achieve economic policy goals set five months ago must cast some doubt on whether it will meet the performance targets agreed with Mr Camdessus just before he went to Munich.

Recent research into the IMF policies and operations over the past decade by the Alexis de Tocqueville Institution, a US think tank, also raises the question as to whether the fund is best suited to the task of promoting economic reform in Russia.

Mr Camdessus agreed in Moscow to release a first \$1bn tranche of IMF credits to Russia in return for sharp cuts in its projected budget deficit and inflation by December. Russia will reduce its inflation to less than 10 per cent a month by the end of 1992 from 15 per cent (and rising) at present. It plans to cut its domestically financed fiscal deficit from 17 per cent of gross domestic product to 5 per cent in the same period.

It was not clear in Munich how this would be achieved. The necessary fiscal and monetary measures will be introduced over the coming weeks. The IMF has been assured that most will be enacted by presidential decree, presumably after parliament breaks up for the summer this week.

But are these goals realistic in the light of past experience? In late February Russia's government and central bank agreed a programme of stabilisation and reform that envisaged a sharp decline in inflation to a range of between 1 per cent and 3 per cent a month by the fourth quarter of this year when the budget deficit would be around zero. This programme appeared to be on track until upset by decisions of the Russian parliament in the spring.

Things may be different this time. The IMF has been careful to strengthen the hand of the Russian finance ministry in drawing up the new programme so that it can be considered as a Russian government programme. If the fulsome tribute made by President Boris Yeltsin in his Munich press conference to Mr

Yegor Gaidar, his prime minister, means anything, the Russian government should be able to count on Mr Yeltsin's support in pushing ahead with economic reform. There is some hope that the Russian people and parliament, looking as they are over the abyss at hyperinflation, will pull back and put up with the conditions that IMF support will entail.

There is little doubt that the conditions will be painful. Moreover, the IMF will have leverage because of the staged

reduction have been among the weakest areas of fund performance. The institution's study of 90 IMF programmes between 1980 and 1991 also found that the successful achievement of monetary and fiscal targets depended crucially on the implementation of fiscal and monetary policies as planned.

Mr Fossedal argues that the IMF is most successful in countries with long-standing democratic and capitalist traditions. He wonders whether the fund can be the "bold, energetic catalyst" needed to rebuild the former communist states.

"The last time the West faced a challenge of this magnitude, after World War Two, the IMF, the World Bank and the UN Rehabilitation and Relief Agency all spent two years attempting to revive the economy of western Europe, to no avail," he says. Harking back to the introduction of the Marshall Plan, he says: "Only when a special, self-terminating executive agency was funded, created, debated openly, co-ordinated with joint commissions in the recipient countries, and staffed by the businessmen and investors who would be called upon to support it, did the more focused efforts of the fund and the Bank begin to bear fruit."

Mr Fossedal would like to see a new Marshall Plan for Russia with a new organisation that would move reforms ahead rapidly and have a \$50bn annual budget.

But herein lies the rub. One of the reasons the IMF has so much responsibility thrust upon it is that the western industrial nations either will not or cannot produce such financial support.

As Mr Brian Mulroney, the Canadian prime minister, pointed out last week, the US devoted 1.2 per cent of its gross national product to the Marshall Plan. So far, the G7's contribution to the former Soviet Union amounts to just 0.2 per cent of its combined GNP.

Inquiry by SFO looks at share dealings

By Peggy Hollinger and Ken Gooding in London

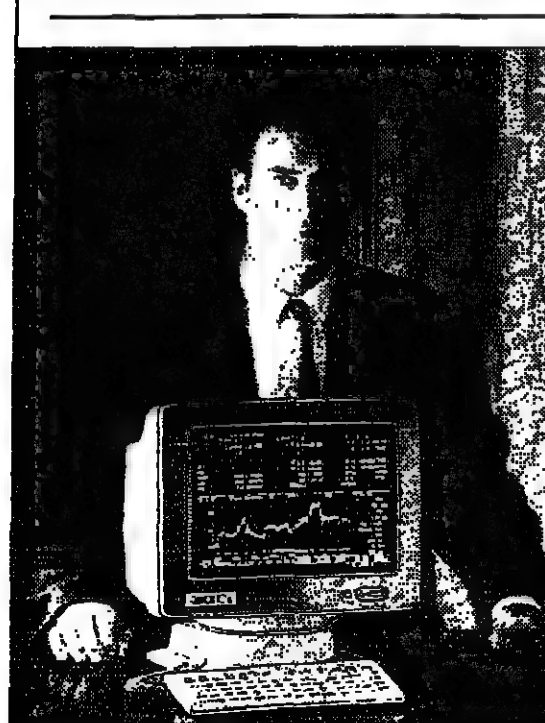
THE UK'S SERIOUS Fraud Office is investigating share dealings in at least two quoted UK companies - Richmond Oil and Gas and Butte Mining.

The inquiry, which follows a raid on the abandoned offices of Jersey accountants Bryant & Co in April, is investigating transactions in Richmond Oil and Gas's £21m (\$40m) public offer in June 1989 and the failed £31m rights issue of October 1990. It is believed early indications have raised the possibility of a share support scheme.

Documents recovered in Jersey, half a tonne of which were taken to the UK by investigators last week, could prompt an inquiry which may affect several UK natural resource companies, including Geover and Globe Petroleum, formerly known as Far East Resources.

Bryant & Co appears to have been a "significant staging post" for share irregularities, said an investigator. Documents regarding Butte Mining were also discovered at Bryant & Co. Butte has launched legal action claiming damages of \$325m from more than 70 former executives and advisers, including Bryant & Co. Also named in the Butte litigation is Mr Clive Smith, the UK-based entrepreneur with natural resource interests, who helped bring Richmond and Butte to the market. Mr Smith and his family interests held 11 per cent of Corporate Broking Services, the defunct broker which sponsored the Richmond float.

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THE FINANCIAL WORLD IN VIEW

COMPANIES AND FINANCE

Accountants to pay damages over Sound Diffusion rights issue

Tunstall settles out of court

By Andrew Jack

ARTHUR YOUNG, the accountancy firm which is now part of Ernst & Young, has agreed to pay £135m in costs and damages in connection with its role as auditor and adviser to Sound Diffusion, the collapsed electrical equipment leasing company.

Tunstall Group, the security and emergency communications equipment supplier, agreed to settle out of court with the accountants after a battle lasting more than two years in search of compensation following its subscription for a rights issue just seven months before Sound Diffusion went into receivership in December 1988.

Mr Michael Dawson, Tunstall's chairman, has doggedly pursued his case in the belief that Arthur Young should not have approved the 1987 accounts because of over-stated profits caused by a breach of SSAP 21, the accounting standard dealing with leasing.

He also argued that the firm failed in its role as advisers to a £9.5m rights issue in May 1988 which appeared to suggest that the new money was partly for future growth, when in fact it was essential to support the company's existing losses.

However, Mr Nick Land, national managing partner of Ernst & Young, stressed that the firm denied liability. "We settled to finish the matter and to avoid it going on for a long time," he said.

Mr Dawson issued a writ in November 1989 and continued to put pressure on the accountants right up to the date of



Michael Dawson - issued writ in November 1989

the court case, which was scheduled to begin on July 6. Ernst & Young agreed to the payment shortly before that date.

In his chairman's statement to the interim accounts for the six months to March 31 this year, Mr Dawson said Tunstall had made a provision of £570,000 in professional fees for the action to date.

Tunstall sought damages for about £500,000 in rights for which it subscribed on its shareholding at the time of the issue, £1.2m for other shareholders' rights and £200,000 for rights it never exercised. In the

event, it received full compensation for the first item, £250,000 towards the second and none on the third.

If the case had made it to court, it might have filled an important hole in determining whether auditors have a responsibility to existing shareholders who subscribe for additional shares and buy others' rights in the market.

While the settlement requires that neither of the two parties discuss details of the case, Tunstall's complaints can be derived from the highly critical report issued by the two Department of Trade and

Industry inspectors on Sound Diffusion in February last year.

The DTI report states that Sound Diffusion had recognised "excessive selling profits" and "materially overstated" its balance sheet value in its accounts for the year to December 31 1987 by failing to adequately follow SSAP 21.

The report also suggests that the rights issue prospectus was "misleading" because it failed to point out that the new money was necessary for Sound Diffusion's survival, a fact not pointed out to shareholders in the final version which was circulated.

The lead partner on the 1987 audit was Mr Paul Rutten, now a partner with Ernst & Young, an acknowledged expert on lease accounting and a member of two technical committees of the Institute of Chartered Accountants in England and Wales.

Yet as the DTI inspectors conclude: "Arthur Young either failed to identify or otherwise accepted serious defects in the company's lease accounting practices and did not adequately audit the amount receivable under finance leases."

Ironically, Ernst & Young was the auditor of Sound Diffusion before Arthur Young for the 1987 accounts after a dispute over the stated profits in the previous year. The merger of the two firms in 1989 means that partners from both sides will be involved in the settlement.

NEWS DIGEST

NMC to pass final dividend

NMC, the packaging company, is passing its final dividend for the year to March 31 because of uncertainties about the timing and proceeds of its planned flotation of a stake in Universal Packaging, its US subsidiary.

Mr Norman Gordon, chief executive, said dividend policy would be reviewed when the situation had been resolved.

He added that almost all the group's profits arose in the US and existing financing arrangements restricted their repatriation. The flotation was intended to improve this structural imbalance.

The company, which last year failed to take over API, a rival packaging company, suffered a downturn in pre-tax profits from £7.3m to £5m.

Turnover for the year declined to £93.6m, against £110.8m which included a £17.5m contribution from property and finance. The figure included £3.8m (£5.0m) from Hobbs Packaging which was sold in January.

Earnings per share were 2.76p (7.07p) basic or 5.91p (8.61p) fully diluted. There was an extraordinary charge of £615,000 relating to costs of its failed API bid.

Malvern UK Index asset value ahead

Malvern UK Index Trust had a net asset value per share of 111.11p at June 30 compared with 105.58p a year earlier and 108.13p at the December 31 year end.

Net revenue for the half-year rose to £983,000 (£896,000) for earnings of 2.03p (1.85p) per share. The interim dividend is lifted to 1.7p (1.25p), and directors forecast a 3p final payment.

Lister falls deeper into the red

Increased pre-tax losses of £2.78m for the year to March 28 were announced by Lister & Co, the textile products group which also has interests in property investment, engineering and insurance broking. Losses last time were £1.71m.

The directors said that action taken during the year had resulted in two key parts of the business, Joseph Hoyle and Lister Yarns, returning to current profitability. The weakness of the home furnishings and domestic textiles markets had led to a fundamental reorganisation of that part of the business, they said.

Turnover fell to £30.9m (£34.7m). Losses per share increased to 17.11p (10.94p) but the proposed final is maintained at 0.1p after the interim payment was again passed.

There was an extraordinary charge of £531,000 (£206m) relating to costs associated with the development of the Marnham Mills complex in Bradford.

Exceptional profit boosts Peter Cox

Helped by an exceptional profit of £477,000, Peter Cox, the building preservation company, reported pre-tax profits of £204,000 on turnover of £30.5m in 1991.

Mr John Wilson, chairman, said the result was creditable in the economic gloom. The previous period was for 14 months following the purchase by its management from John Mowlem in which pre-tax profits were £933,000 on turnover of £34.3m.

Etonbrook plans cash repayment

Profits of Etonbrook Properties amounted to £182,000 pre-tax for the year to March 31 after taking account of an exceptional provision of £400,000 for property write-downs.

The previous year's profits totalled £1.63m and included a development profit in excess of £2.5m. Earnings worked through at 13p (34.5p) and the dividend is a same-again 2.75p.

With a view to reducing the discount between the year-end net asset value per share of 117p (118p) and the current 88p share price the directors are proposing a capital reorganisation in order to pay ordinary shareholders 25p cash per share. This will be achieved via the return of surplus proceeds from property sales.

They are also proposing to repay the redeemable preference shares which is a pre-requisite of any capital repayment or payment of an ordinary dividend. Both proposals will be put to an extraordinary meeting next month.

In addition, the directors have formulated a strategy for the future development of the company which they say "could include utilising Eton-

brook's stock exchange listing by merging with a trading company so as to achieve a higher share rating."

Notice has been received from Multitrust, a 10.05 per cent shareholder in Etonbrook, that it intends to propose at the annual meeting resolutions for the appointment of Mr A. Perloff and Mr M. Block as directors and for the removal of Mr J. Harris and Mr W. Moss as directors.

Cowie makes second clarification over bid

T Cowie, the motor trader which is bidding £26.7m for rival Henlys Group, has had to make a second clarification over the status of its offer.

It said it wanted to remove any impression that its offer may not be revised. It also referred to its offer document which said the offer was "genuine".

The first clarification came on Thursday after a newspaper article seemed to suggest that Cowie's offer was final. Under takeover rules, once a bidder has said an offer is final it cannot increase the offer unless another bidder comes in.

Cowie said that a second newspaper article had misquoted a Cowie representative saying "this is the best offer". Cowie said the Takeover Panel had advised them to clarify the matter.

With Cowie's shares standing at 141p the 1-for-2 share bid is worth 70.5p, against Henlys share price of 72p. That suggests the market does not expect the Cowie offer to succeed at this price. Some shareholders are believed to want a cash alternative to the all-share bid.

Hillclare declines to £59,000

Hillclare, the USM-quoted designer and manufacturer of electronic security and lighting products, suffered a fall in pre-tax profits from £194,000 to £59,000 for the year to March 31.

The figure was impacted by an exceptional bad debt of £59,000 which was incurred after the year-end but provided for within the results.

Sales improved to £3.34m (£2.9m) but gross margins fell from 30.4 per cent to 26.3 per cent. Earnings declined to 3p (5.8p) but the dividend is a same-again 0.5p.

Rothschild Bank 'safety measure'

Rothschild Bank, the Zurich-based private bank controlled by NM Rothschild & Sons, has dissolved its hidden reserves to make provision against possible loan losses.

Sir Evelyn Rothschild, chairman of NM Rothschild, said the bank had decided to dissolve hidden reserves of SFr63.5m (£24.3m) as a safety measure.

"The bank is very conservative and we feel that it is right to make the transfer from reserves as a safety measure," said Sir Evelyn. He added that Rothschild Bank was doing well and had had an excep-

tionally good 1991-92 year.

Rothschild made a net profit of SFr24.5m in the 12 months to March 31. Depreciation, provisions and loan losses rose to SFr99.8m (SFr34.3m).

The decision to make provisions followed a review of the bank's credit exposure at its recent annual general meeting, which found that some credits were not fully covered.

Royal Bank of Scotland purchase

Royal Bank of Scotland said that its Capital House Investment Management subsidiary had purchased the discretionary portfolio management business of Standard Chartered Bank.

The businesses, which are based in London, Jersey, Isle of Man, Singapore and Boston, have £1bn under management. They are mostly institutional funds, but include some private client portfolios as well. The acquisition raises Capital House's total funds under management to £4bn.

Manweb chairman's salary jumps

The total remuneration received by Mr Bryan Weston, chairman of Manweb, the Chester-based regional electricity company, jumped by 37 per cent from £156,000 to £214,000 in the year to March 31 1992.

The annual report and accounts show that his salary rose by 21 per cent to £175,000 (£145,000). In addition, there was a performance-related bonus of £29,000 (£8,000) and benefits in kind worth £7,000 (£3,000). The figure excludes pension contributions.

Manweb's pre-tax profits for the year rose by 61 per cent to £94.7m (£58.9m). Mr Weston is the highest paid director.

Liffe Swiss franc interest rate move

The London International Financial Futures and Options Exchange (Liffe) is to start trading options on its Swiss franc interest rate futures contract on October 15.

Mr Nick Durlacher, Liffe's chairman, said: "Given the high level of volatility in EuroSwiss interest rates, there is a need for an instrument which provides additional hedging and trading opportunities."

The three-month Euro-Swiss futures contract, launched in February 1991, recorded an average daily volume of 8,000 contracts in June.

Trinity International acquisition cleared

The proposed acquisition by Trinity International Holdings, the publishing and paper making group, of Scottish and Universal Newspapers, has been cleared by the trade and industry secretary.

The clearance follows an investigation and report by the Monopolies and Mergers Commission. Scottish and Universal publishes 23 paid-for and free newspapers in central and southern Scotland.

Eastern German distribution group to be privatised

By Andrew Taylor, Construction Correspondent

THE FORMER biggest distributor of electrical equipment, tools and materials to east German industry is to go on sale this week, at a price expected to be over DM150m (\$88.60m).

At this level, which is based on previous deals involving purchases of European building products wholesalers, it would make the price paid one of the biggest for a privatisation in the former communist-controlled republic.

Maschinenbau- und Technikhandel (MBT), which once had a turnover of DM10bn, has been slimmed down substantially and now concentrates mainly on selling tools and components to the region's fast-growing construction industry.

Sales last year were DM436m from 65 outlets in 32 cities, making it easily the region's biggest wholesaler of building products. These include lighting and electrical supplies, plumbing, heating and sanitary equipment as well as woodworking and metalworking tools and accessories.

Competition to MBT will come from subsidiaries of several large western German public companies which have established operations as well as some smaller privately-owned family businesses.

Construction output in eastern Germany is forecast to rise by one-fifth this year, with DM500bn expected to be spent during the next eight years on building and repairing the region's housing, infrastructure and industry.

The Treuhandanstalt, the privatisation agency established to sell former state-owned assets, has appointed Merrill Lynch in London to advise on the sale of MBT, which has already attracted some international interest.

Companies from 10 countries, including Britain, France, the Netherlands, Belgium, Switzerland, Austria and the European subsidiary of a Hong Kong-based group, have expressed interest in acquiring MBT.

MBT owns 130 properties, including the 85 active trading outlets. The purchase price could depend upon which of these properties are to be included in the sale.

Merrill Lynch earlier this year arranged the sale for DM50m to Thames Water of the Mitteldeutsche Wasser- und Umwelttechnik (UTAG) the former East German water supply and sewerage treatment engineers.

Pioneering social audit from Traidcraft

By Andrew Jack

TRAIDCRAFT, the Gateshead-based distributor of third world goods, has published a pioneering social audit of the company to accompany its accounts for the 1991-92 year.

Including redundancy costs of £45,000, the pre-tax loss for the 12 months to end-March was reduced from £118,000 to £23,000.

The social audit was a preliminary document attempting to assess the wider, non-financial impacts of the company on its customers and employees which should be ready by the time of the next annual report, according to Mr Richard Evans, external affairs director.

While a growing number of companies are producing statements on environmental policies and impacts, the Traidcraft report attempts to go much further in analysing the company's impact.

The audit - which was prepared by the directors - shows that 68 per cent of total sales of £5.59m were of goods from the third world last year, compared with 98 per cent of total sales of £330,000 in 1982.

It reports a planned 10 per cent reduction in gas consumption during the current year and discusses its use of recycled materials.

The audit also shows a staff turnover of 4 per cent, excluding 16 of the redundancies from the workforce of 134 at the beginning of the last financial year. It says there are no employees from ethnic minorities, but two registered disabled staff.

It also lists 65 working days for executives and managers taken up with training. There are about 3,750 non-voting current shareholders.

Bramalea expects to pull out of industrial property market

By Bernard Simon in Toronto

BRAMALEA, the debt-burdened developer controlled by Toronto's Brantman family, expects to withdraw from the North American industrial property market and retain only a handful of its Canadian office buildings as part of a last-ditch effort to maintain the confidence of its lenders.

Mr Marvin Marshall, president, said that the company expected to present a new business plan to lenders later this month and hoped to complete negotiations by the end of August.

Bramalea, which has debts of

C\$4.9bn (US\$4bn), defaulted last month on interest payments on a debenture issue, and its financial problems are widely viewed as being at least as serious as those of Olympia & York.

But, unlike O&Y, Bramalea has the advantage of a powerful shareholder and has up to now convinced its lenders that it is doing its utmost to raise cash through asset sales.

As part of the restructuring, Bramalea also plans to sell its US shopping centres, to reduce its Canadian mall portfolio, and to concentrate on the residential market in Ontario

and California.

Bramalea has raised C\$87m since it began selling properties last year. It expects total proceeds to reach about C\$2m by 1997. Several of its assets have been bought by Trizec, its controlling shareholder. But Trizec, which itself has debts of more than C\$8bn, has indicated that it is nearing the end of its willingness to provide support to its subsidiary.

Bramalea's shares closed at 80 cents on the Toronto Stock Exchange on Friday, down 7 cents on the day. The shares were trading at close to C\$5 at the beginning of this year.

Fund managers switch to bonds

By Angus Foster

FUND managers are looking to increase their holdings in bonds, especially UK gilts, at the expense of equities, according to the July monthly survey by Smith New Court and Gallop.

Managers planning to invest in UK gilts outnumbered those planning no such move by 32 per cent, the highest level for two years and double the June total. Interest in index-linked gilts, overseas bonds, and deposits increased at a similar rate, the survey said.

A balance of 10 per cent of managers said they would lift exposure to UK equities. This is the lowest figure this year, but the UK is still seen as more attractive than the US and Japan, where managers remain negative.

However, forecasts for UK earnings-per-share growth have been marked down. Managers expect earnings to grow 6 per cent this year, compared with 9 per cent forecast last month. For 1993, forecasts have been cut from 12 per cent to 10 per cent. Dividends are expected to grow 3 per cent this

year and 5 per cent next. Over the next 12 months, 86 per cent of institutions are optimistic about the FT-SE index compared with 72 per cent for continental European markets. Only 56 per cent are hopeful about Japan.

A special question in the survey asked managers their favourite and least favourite sectors for the coming year. Health and household, water, industrial materials and banks were most favoured while contracting and construction, property and building materials found least support.

Restructuring and consolidation keep generating large bids

RESTRUCTURING and consolidation continue to generate large international bids and deals, writes Brian Bollen.

The biggest of the week by far was the agreed bid by Cementos Mexicanos for Valentiana de Cementos, Spain's biggest cement group. This continues the rapid consolidation of Europe's troubled cement sector and reverses the long-standing trend in the sector for European companies to invest in North America.

Moody's Investors Service, the US debt ratings agency, appeared less than impressed: it placed the Cement rating under review for possible downgrade, saying such a large acquisition might indicate a more aggressive growth strategy than previously thought.

Cemex decided in 1988 to concentrate on its core business. That one company's non-core disposal is another's growth opportunity was underlined again by British Petroleum's latest decision, of its Germany subsidiary Global. The transaction takes the buyer - the Jeyes cleaning products group bought out from Cadbury Schweppes and

BP in 1988 - further into continental Europe and increases its sales by more than one-third. Debt claimed another prominent victim, forcing French businessman Mr Bernard Tapie to sell off yet another business, the German sporting goods company Adidas. Pentland Holdings of the UK thus adds another top-brand name brand to the portfolio assembled with the proceeds of its enormous profits on its Reebok investment.

Niche markets continue to be fashionable. Specialist chemicals group Hickson International of the UK is moving into the supply of fine chemicals to pharmaceutical groups by buying Ireland's Angus Fine Chemicals.

Simon Engineering of the UK said its purchase of the marine seismic data division of Teledyne Exploration of the US makes it the world's fourth-largest in that specialised sector. The week saw much speculation about further restructuring of international airlines, but only one small transaction emerged, the purchase of 24.5 per cent of Austria's Lauda Air by German flag-carrier Lufthansa.

CROSS BORDER M&A DEALS

INITIATOR/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Cementos Mexicanos (Mexico)	Valentiana de Cementos (Spain)	Cement	£860m	Cemex wants 74.1%
Pentland (UK)	Adidas (Germany)	Sporting goods	£215m	Tapie distress sales continue
Hickson International (UK)	Angus Fine Chemicals (Ireland)	Fine chemicals	£22.4m	Hickson enters niche market
Jeyes (UK)	Global (Germany)	Cleaning materials	£18.1	Another BP non-core disposal
Lufthansa (Germany)	Lauda Air (Austria)	Airlines	£10m	Lufthansa taking 26.5%
Simon Engineering (UK)	Unit of Teledyne Exploration (US)	Seismic data	£5.2m	Staged payments
Minarco (Luxembourg)/Outokumpu (Finland)	Ivernus West (Ireland)	Mining	£4.15m	Raising stakes via new shares
Linde (Germany)	Fiat OM Carrell Elevatori	Fork lifts	n/a	Linde buying 51%
Monosanto (US)/Monosanto Kasei (US/Japan)/Premier Enterprise (Thailand)	Monosanto Premier Kasei (Japan)	Speciality plastics	n/a	Manufacturing venture
Lucas Bols (Holland)	Williams & Hubert (Spain)	Drinks	n/a	Bols doubles up to 90%

Source: FT Mergers & Acquisitions International

SWEDEN

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FT SURVEYS

NRI TOKYO BOND INDEX

PERFORMANCE INDEX					
	5/7/92	12 mtd	12 mtd	24 mtd	24 mtd
Overall	176.18	5.24	175.52	172.20	169.88
Government Bonds	175.40	5.02	174.78	170.71	169.02
Municipal Bonds	177.87	5.73	176.77	173.00	171.36
Govt. Corporate Bonds	180.11	6.18	179.87	175.00	173.50
Bank Deposits	171.26	5.03	170.71	168.50	165.48
Corporate Bonds	177.78	6.14	177.44	174.48	171.57
Non-Govt. Foreign Bonds	162.26	6.26	162.52	171.50	174.49
Government 10-year	5.51		5.57	5.74	5.53

Estimated per yield

Source: Nomura Research Institute

INTERNATIONAL CAPITAL MARKETS

D-MARK ISSUES

Bundesbank guidelines set to give boost to sector

THE MARKET for debt issued in D-Marks, long shackled by cumbersome regulations, is at last catching up with comparable sectors.

The new Bundesbank guidelines on issuing D-Mark paper, which come into force at the beginning of August, are set to provide a further boost to the market's recent development. Because of the importance of the German economy, there is a natural appetite for D-Mark paper among international investors, but in the past concern about liquidity and reluctance to deal with different market practices have proved a strong deterrent.

While bunds have become increasingly broadly held, other types of securities have remained largely domestic instruments until recently. Meanwhile, foreign borrowers wishing to issue paper denominated in D-Marks have been kept out by complex rules and restrictions.

But in the last couple of years, growing supply and demand, and a gradual easing of rules by the Bundesbank, have boosted the D-Mark bond and commercial paper mar-

kets and their improving liquidity has encouraged greater international participation.

The latest move by the Bundesbank is set to accelerate that process and enhance the competitiveness of German capital markets; but German bankers say it will not necessarily improve their profits.

The main thrust of the change is the abolition of the two-year minimum maturity requirement for foreign companies. The requirement still applies to banks or other financial institutions.

The new Bundesbank regulations have also done away with a number of other inconveniences - and expenses - involved in issuing D-Mark paper: the requirement to appoint a German paying agent; to use the German clearing system; to list on a German stock exchange; and to use German law. In addition, German branches of foreign banks can now arrange debt offerings.

In the first half of 1992, volume in the D-Mark sector of the Eurobond market leapt to \$14.8bn (equiva-

lent), compared with \$9bn for the same period the previous year.

The jump is accounted for not by the growing number of issues but by a substantial increase in the average size of D-Mark Eurobonds, which this year have included DM2bn issues for Finland and Spain.

In the past, we could not persuade these issuers to borrow in size," said the syndicate head of one German bank, who added that it is the growing international investor base which has allowed the market to develop in this way. German banks have had to make a more concerted effort to sell to foreign investors since, until earlier this month, uncertainty on German tax rules had undermined their traditional German retail investor base.

One German banker estimated the cost savings on a Eurobond at about 3 to 4 basis points, which could bring some business to the sector, "but it is marginal". These savings, however, are for the borrower and, unless volume is increased substantially, German

banks could lose out, due to greater competition from foreign houses.

But it is the D-Mark commercial paper market which stands to benefit most from the latest changes by the Bundesbank. The CP market, which only opened in February last year, has already attracted more than 40 issuers, and the total value of programmes exceeds DM30bn.

Bankers predict that programmes could reach DM50bn by the end of the year, up from DM18.3bn at the end of 1991, as the pace of expansion accelerates following the abolition of the minimum maturity of two years for foreign non-bank issuers.

These means that foreign companies will now be able to incorporate D-Mark options into their existing Euro-commercial paper and Euro-medium-term note programmes.

"This will save costs and result in a much wider use of the D-Mark because it is so easy to do such issues," says Mr Christof von Dryander in the Frankfurt office of Cleary, Gottlieb, Steen & Hamilton, international lawyers.

Until now, large companies such

as France's Alcatel have had to set up special German subsidiaries in order to issue D-Mark CP.

"The move is a significant boost for the DM's role as a fully-fledged investment currency," says Mr Mark Houghton-Berry of Goldman Sachs in Frankfurt. "Obviously the DM has been the most important reserve currency for decades, but because of a number of restrictions many more companies have wanted to raise D-Marks than have found it simple or convenient to do."

The Frankfurt Stock Exchange said last week that it welcomed this liberalisation, "as a matter of principle". Privately, officials recognise that the move will force a fundamental reassessment of the listing procedures which are widely criticised as being complex and expensive - out of fear that the liberalisation will drive business away from Frankfurt to other financial centres, especially London and Luxembourg.

Tracy Corrigan and David Waller

Anthony Harris

Self-regulation: no last chance



IT IS now accepted wisdom that, after all the scandals of the last few years, self-regulation in the City of London is down to its last chance. But accepted wisdom is always a lagging indicator. If the City believes its own research project from the Corporation of London and the London Business School, which has just produced its interim report, there is no time for another try.

Its most important preliminary finding is that regulatory troubles could be the greatest threat to the City's future in Europe. It is not just that the present system is both cumbersome and ineffective (though that should be enough to merit a death sentence). The real danger is that any revised and "improved" system is likely to be over-ridden by Brussels.

Revision would therefore be a dangerous waste of time, despite the persistent belief that self-regulation is a source of London's strength. However, there should still be time for the City to take the kind of lead in effective regulation that the Commission might regard as a model.

The would-be revisers are living in the distant past. It is true that self-regulation in London was once a source of strength, but it could not be sustained after the Big Bang. It used to work because though the rules were imprecise - simply a consensus on what was acceptable conduct - enforcement, through the blackball, was swift and ruthless. The post-1986 rules turned this system upside down: we were left with huge doorsteps of rule books, but no effective enforcement at all.

There are two further weaknesses in the current system: it is run by the wrong people, and for the wrong objectives. Those inside the market could run an informal system very effectively, and they always knew that the prime objective was to make the City's services completely trustworthy for the outsiders who used them. Enforcing detailed rules, by contrast, is a job for lawyers, not traders; no wonder it has been ill-done.

The traders have made matters worse by devoting too much of their attention to protecting rival insiders rather than users and outside investors. This was perhaps inevitable while excessive competition squeezed margins almost out of existence, but the result has been to bring us to the brink of the very disaster that the City used to avoid at all personal cost: a loss of public confidence in the markets. This threshold has already been crossed in Tokyo, as it was in New York after the 1929 crash, and with the same result: a collapse in volume.

Visibly effective regulation may well, then, be the price of survival, as it was seen to be in New York when the 1933 Securities Act was brought in, as one of the first moves in the New Deal. The markets were demoralised by low reputation and reduced incomes (does this sound familiar?); so James M. Landis, the brilliant young lawyer in charge of the legislation, and later first head of the Securities and Exchange Commission which it created, saw at once that he could harness market self-interest to the cause of tight regulation.

Though markets have changed out of recognition in six decades, the basic Landis approach still looks valid. First, adequate, verifiable information; second, effective powers to enforce disclosure on those who are reluctant; third, adequate staff to pursue wilful wrongdoers. All the things, in short, that were lacking in the Maxwell affair. He first won the enthusiastic support of the accounting profession, whose efforts to impose better standards had limped along for years on a voluntary basis (familiar again?), and the acquiescence of traders.

The result was an Augean clean-up at a pace that Hercules might have envied. The legislation passed almost unopposed. Sam Rayburn, in charge in the House of Representatives, remarked that he did not know whether this was because "it was so damned good, or so damned incomprehensible". The SEC got off to a flying start: in its first 15 months not a single decision was challenged in the courts. Men like Landis are born, not made; but his system still works, and we can learn from it.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Barra Fin. (Aruba) (b)(1)	400	2002	10.25	(b)	100	Sinisa Int'l.	
Export Dev. Council	300	1999	7	6.75	101.015	CSFB	
Mitsubishi Oil Co (b)(1)	280	1996	4	2.625	100	Yamaichi Int'l (Eur)	
Int'l Telecom. Satellite	200	2002	10	7.375	99.725	CSFB	
Alisa Four (b)(1)	54	1997	5	(b)	100	Nomura Int'l.	
Thyssen Finance	200m	1992	7	7.5	101.70	Dresdner Bank	
City of Yokohama	130	2002	10	7.375	101.515	Bk of Tokyo Cap.Mkts.	
Shochiku Co Ltd	100	1996	4	2.625	100	Nomura Int'l.	
World Bank (b)(1)	1,500	1997	5	(b)	(b)	IS/Merrill Lynch	
Finland Real Est. Bk. (b)(1)	100	1995	3	(b)	100	Salomon Bros. Int'l.	
STERLING							
Hansen (b)(1)	400	2008	13.86	10	97.442	WZV	10.343
Province of Ontario	250	2002	10	5.375	98.257	Salomon Bros.	8.487
Britannia B/Society (b)(1)	100	1996	3.5	(b)	100	WestCap.Mkts.	
Confed. Treasury Services	100	1997	5	6.5	100.775	S.G. Warburg Secs.	8.259
Slough Est. (b)(1)	100	2012	10.6	11.625	98.867	S.G. Warburg Secs.	11.587
CANADIAN DOLLARS							
Tokyo Elec. Power	500	1997	5	7.625	101.155	Goldman Sachs	7.341
European Inv. Bk. (b)(1)	150	2002	10	8.125	99.374	Salomon Bros.	8.219
Kingdom of Norway	800	1998	5.5	7.25	99.55	Paribas/BSI	7.338
Eurofund	150	1999	3	6.5	100.825	Goldman Sachs Int'l.	5.178
AUSTRALIAN DOLLARS							
NatWest Bk. (b)(1)	75	1997	5	8.125	101.75	NatWest Cap. Mkts.	7.880
Crédit Local de France (b)(1)	250	1997	5.083	7.5	98.585	Hambros Bank	7.815
BNP	125	2002	10	8	100.05	Hambros Bank	5.982
Guinness Finance BV	75	1996	6	8.25	101.80	NatWest Cap.Mkts.	7.882
D-MARKS							
Rep. of Turkey	300	1999	7	10.25	100.75	Commerzbank	10.085
MOBIL Oil Canada	150	1997	5	8.375	101.75	UBS (Deutsch.)	7.837
FRENCH FRANCS							
Province of Quebec	2bn	1997	5	9.25	99.878	CCF	6.980
Alus Finance (b)(1)	200	1998	5.5	2.80	70.72	Credit Lyonnais	5.502
Credit Foncier (b)(1)	300	2004	12	8.25	99.60	Paribas Cap.Mkts.	5.585
Credit Foncier (b)(1)	300	2004	12	8.75	99.60	Paribas Cap.Mkts.	5.708
SWISS FRANCS							
Societe Generale (b)(1)	3,500	1995	1	10	99.92	Societe Generale	10.085
Credit Lyonnais (b)(1)	1bn	1995	3	10	101.31	Credit Lyonnais	9.432
Societe Generale (b)(1)	4bn	1993	1	10	99.92	Societe Generale	10.065
Rep. of Finland	4bn	2003	11	9	99.92	CCF	9.100
SNCF (b)(1)	3bn	2023	31	8.5	99.71	Paribas Cap.Mkts.	9.065
Comptoir Des Entre. (b)(1)	1bn	1999	7	8.375	99.825	Paribas Cap.Mkts.	9.451
CCOQ (b)(1)	100	1987	5	9.5	101.405	Paribas Cap.Mkts.	9.125
YEN							
Citibank & Co. (b)(1)	300m	1997	5	(b)	100.25	Deiwa Europe	
Canon (b)(1)	200m	1996	6	(b)	100.25	Yamaichi Int'l. (Eur)	
PESETAS							
Eurofund	150m	1997	6	11.35	101.15	Banco Santander	11.030
LUXEMBOURG FRANCS							
Banco Overseas (b)(1)	500	2000	6	8.50	51.50	Banco Bk.Lux.	8.849
BPCE (b)(1)	100	2002	10	9	102.30	BGL	8.847

This notice is issued in compliance with the requirements of the Council of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any of the new ordinary shares of 20p of Ocean Wilsons Holdings Limited.

Application has been made to the Council of the London Stock Exchange for all the undermentioned new ordinary shares to be admitted to the Official List. It is expected that dealings in the new ordinary shares will commence on 13th July, 1992.

OCEAN WILSONS HOLDINGS LIMITED

(Incorporated under Act of Parliament in Bermuda with limited liability)

Introduction to the Official List

by

Rea Brothers Limited

of

39,699,840 ordinary shares of 20p each

Share capital following the Introduction

Authorized	Issued and to be issued fully paid
£10,012,000	£7,939,968

Listing particulars relating to Ocean Wilsons Holdings Limited are available in the statistical services of Ecol Financial Limited. Copies of the listing particulars may be obtained during normal business hours on any weekday, Saturdays and public holidays excepted, up to and including 15th July, 1992 from the Company Announcements Office of the London Stock Exchange, The Stock Exchange Tower, Capel Court Entrance, Off Bartholomew Lane, London EC2 (for collection only) and up to and including 27th July, 1992 from:

Ocean Wilsons (Holdings) PLC
7th Floor
Nepenthe House
Trinity Court
Finsbury Square
London EC2

Rea Brothers Limited
Alderman's House
Alderman's Walk
London EC2

13th July, 1992

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This advertisement has been prepared on the basis that the recommended offers ("the Offers") by Throgmorton 1000 Smallest Companies Trust PLC ("TUSMT") for the whole of the issued share capital and all the outstanding warrants of The Throgmorton USM Trust PLC ("TUSMT") become or are declared unconditional in all respects that all the TUSMT Ordinary Shares and outstanding TUSMT Warrants are acquired and that TUSMT's formula asset value (as defined by the Offers) is 131.46p, the value estimated as at 29 June 1992.

Application has been made to the London Stock Exchange for the admission of the issued ordinary share of 100p to the Official List of the London Stock Exchange. It is expected that such admission will become effective, and that dealings in the Ordinary Shares (with Warrants attached) will commence, on the second business day following the offer for the TUSMT Ordinary Shares being declared unconditional as to acceptance.

THROGMORTON 1000 SMALLEST COMPANIES TRUST PLC
(Incorporated in England and Wales with registered number 2703974;
an investment company under section 265 of the Companies Act 1985)

PLACING

by

CREDIT LYONNAIS LAING

and RECOMMENDED OFFERS

for

THE THROGMORTON USM TRUST PLC

Authorized	Ordinary Share Capital	Issued and to be issued
£15,000,000	Ordinary Shares of 25p each	£9,157,559

In addition 7,234,044 Warrants each carrying the right to subscribe for one Ordinary Share will be issued
on the basis described above

T1000 is a newly formed company which will operate as an investment trust managed by Framlington Investment Management. Its objective will be to invest in UK quoted companies (excluding investment trusts).

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Credit Lyonnais Laing, Broad Street House, 5 Appold Street, London EC2A 4DA

Throgmorton 1000 Smallest Companies Trust PLC, 155 Bishopsgate, London EC2N 3DQ

The Listing Particulars are included in the Companies Pricer Service available from Ecol Financial Limited, Trinity House, 13-17 Finsbury Square, London EC2A 4DL, 13 July 1992.

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How Bill Clinton Sees The World
Britain Breaks The Ice In Biotech
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Notice is hereby given that the Rate of Interest has been fixed at 3.825% and that the interest payable on the relevant Interest Payment Date October 13, 1992 in respect of \$5,000 nominal of the Notes will be \$46.32 and in respect of \$100,000 nominal of the Notes will be \$926.36.

July 13, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank
CITIBANK

This announcement appears as a matter of record only.

JUNE 1992

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

Long-dated issues hold up well

STERLING's decline caused some nervousness in the gilt market, though long-dated bonds held up relatively well due to a promising outlook for inflation over the next year.

While prices at the short end fell slightly, long-maturing bonds benefited from further signs that demand in the UK economy is extremely weak. This point was rammed home by news that the retail price index increased in the year to June by 3.9 per cent, from 4.3 per cent in May. The June figure is the lowest since last October and underlines how inflationary pressures are being squeezed due to weak demand linked to the recession.

Last week's fall in the pound against the D-Mark - it closed on Friday night at DM2.8725, or more than 2 pence down on the week - unsettled some sections of the gilt market. It also effectively ruled out for the immediate future a cut in base rates, held at 10 per cent

since early May. Many would like the government to reduce rates to revive the economy.

Reflecting the lack of likely movement on short-term borrowing costs, the benchmark short-dated 10 per cent Treasury bond maturing in 1994 was quoted on Friday night down nearly 1/4 point on the week at 100 1/4, its yield was 9.24 per cent.

Long-dated gilts, however, performed better. This was on the basis that the longer base rates stay high, the sharper will be the disinflationary pressures, and the more obvious will be the value to investors of holding on long-term to fixed interest-rate securities. Accordingly, the long-dated 9 per cent stock due in 2008 gained 1/4 on the week, closing on Friday at 101 1/4, for a yield of 8.79 per cent.

On the basis of the inflation prospects, it is possible to make out a good case for buying gilts, a view which appears to have been accepted by many

UK gilts yield

Rebased at par (%)

10.0

9.5

9.0

8.5

8.0

7.5

7.0

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pean currencies will find UK bonds relatively cheap.

As for inflation, the retail price figures showed how service-sector inflation - which was relatively high for much of last year - is dropping fast. Between January and June, year-on-year price increases for leisure, household and personal services have fallen from 11.3 per cent to 8.1 per cent, from 7.8 per cent to 5.9 per cent and from 8.8 per cent to 6.4 per cent.

More indications about the modest upward pressure on prices in the UK economy are likely tomorrow when the Central Statistical Office releases the latest data on the price of manufactured goods at the wholesale level. Producer prices are expected to have risen by 3.5 per cent in the year to June, from 3.6 per cent in May, underlining the difficulties many companies face in increasing margins.

Peter Marsh

EUROPEAN BONDS

Traders wait for next turn of the monetary screw

THE SPECTRE of German monetary policy looks likely to haunt European government bond markets this week ahead of the Bundesbank's regular bi-weekly council meeting on Thursday.

Investors have been anticipating lower German interest rates since the start of the year but, so far, expectations have been misplaced. The Bundesbank has been more inclined to tighten policy rather than cut rates. By the end of last week, the market was bracing itself for another turn of the monetary screw.

Stubbornly high money supply growth and consumer price inflation are the root causes of anxiety. The authorities' favoured measure of money supply, M3, is growing at a year-on-year rate of 9 per cent, against a target range of 3.5 to 5.5 per cent.

Most analysts think the Bundesbank will not raise either the discount rate or Lombard rate. However, it could still tighten money market conditions in an attempt to restrict broad money growth.

For example, increased reserve requirements for banks - the amount banks must deposit with the authorities - would increase the cost of credit. Alternatively, the Bundesbank could restrict the amount

banks can borrow in the money markets at the Lombard rate - at 9.75 per cent its emergency funding rate for the financial system.

The danger is that either move could squeeze money rates higher and possibly necessitate a hike in the Lombard rate anyway. Overnight money was already trading uncomfortably close to the Lombard rate last week.

Against this background, German bonds prices were virtually static. The benchmark 8 per cent unit bond closed on Friday on a yield of 7.96 per cent, unchanged on the week. Moreover, nervousness did not prevent the Bundesbank from selling DM8bn in new bonds.

This underlines that higher German interest rates could have a more serious impact outside the Federal Republic. For example, the strength of the D-Mark on the foreign exchange markets last week pushed sterling outside its notional narrow band limit against the German currency.

Strains within the ERM have already kindled talk of a sterling devaluation, possibly disguised by moving to a narrow band at a central rate below the current DM2.85. It is unlikely the gilt market will prosper under these conditions.

Simon London

SYNDICATED LOANS

RHM looks set to refinance complex multi-option loan

RANKS Hovis McDougall, the food processing group, looks likely to become the latest in a string of UK companies to refinance a complex loan facility arranged in the late 1980s with a simpler, relationship transaction.

The company is replacing a \$250m multi-option facility arranged in 1988 with a revolving loan syndicated among a smaller group of relationship banks led by Barclays.

The earlier five-year transaction provided RHM with funding at an interest margin just 12.5 basis points over the London interbank offered rate. Last week, banks were tight-lipped about the terms under which the new facility is being offered.

Bankers estimate that interest margins have at least doubled - and in some cases trebled - since the late 1980s.

However, companies feel they can achieve better terms by dealing with a smaller number of banks. Last year, for example, Grand Metropolitan arranged a \$2.5bn four-year loan to refinance an expiring three-year facility. The number of banks involved in the deal was cut from over 60 to 34.

At 37.5 basis points over Libor, the interest margin was considered tight. In 1988, GrandMet paid 25 basis points over Libor for three-year

money. However, commitment fees of up to 27.5 basis points made the new facility attractive to potential lenders and the deal was oversubscribed.

Elsewhere, Woolwich Building Society increased from £100m to £150m its five-year revolving credit facility arranged by JP Morgan.

The 11 banks participating in the transaction include Abbey National, the former building society and residential mortgage lender. Abbey National is a rare participant in the syndicated credits market although it is large lender to the building society sector as a buyer of floating-rate and mortgage-backed securities.

Yorkshire Building Society is arranging a club loan from a small group of banks led by Fuji Bank. The deal was originally £50m but is likely to be increased to £75m this week.

Citibank and Banco Santander will lead a syndicate of banks to finance the \$1.25bn acquisition by Cemex, the Mexican cement company, of its Spanish rival Compania Valenciana de Cementos Portland.

The initial financing consists of a \$750m guarantee to back the tender offer and a \$500m bridge loan, which will be replaced by longer-dated funding.

Simon London

US MONEY AND CREDIT

Convention causes a shiver of apprehension

WHEN the Democratic party meets in New York this week to crown Mr Bill Clinton as its presidential nominee, it is also likely to send a shiver of apprehension through an otherwise bullish US credit market.

For a successful Democratic National Convention, producing a boost for Mr Clinton in the opinion polls, will create even greater uncertainty over the outcome of this year's three-way presidential race.

And anything that detracts from the chances of President George Bush being re-elected will be taken badly by the bond market, which still seems to assume a Bush victory and fears that inflation would be reignited by the kind of national investment programme being advocated by Mr Clinton.

Politics apart, the market has had plenty to be bullish about ever since the surprisingly bad employment report issued on July 2, and the Federal Reserve's quick response in slashing half a percentage point from the discount rate. Last week, corporate issuers

rushed to take advantage of lower short-term rates, with the US market absorbing over \$9bn of new corporate issues.

The interest rate differential, or spread, between risk-free Treasury bonds and corporate debt has tightened so much because of declining short-term rates that some of last week's corporate issues encountered substantial buyer resistance.

That in turn helped hold down the price of Treasury securities as traders lightened their positions to cover unsold corporate inventories.

Yet the overall mood remained strongly bullish as a succession of economic indicators released during the week suggested that the momentum of both the economy and inflationary pressures remain very weak.

The government reported on Friday that wholesale prices rose a mere two-tenths of 1 per cent in June, while on Thursday the Fed reported a \$7.3bn drop in M3, the monetary aggregate it tracks most closely, for the week ending on June 29 and a \$13.8bn decline

in M3. M2 is showing an annual growth rate of 0.9 per cent, far below the Fed's target range of 2.5 to 3.5 per cent.

Statistics like this have increased fears of a "triple dip" recession, though the economic consensus still expects modestly accelerating growth in the second half. The coming week could bring some better economic news, with the retail sales figures for June forecast to show gains of between 0.3 per cent and 1 per cent, thanks mainly to a stronger automobile sector.

The weakness of the economy certainly leaves room for further Fed easing over the summer if the statistics look horrendous. But whether the central bank moves or not, its action on July 2 appears to have produced a substantial shift in the market's view of the remainder of 1992: no longer do analysts expect the Fed to reverse direction and start tightening monetary policy by the end of the year.

The Fed's easing, coupled with the poor economic statistics, helped push the dollar

down sharply last week as, too, did the likelihood of tightening German monetary policy and the apparent willingness of Mr Nicholas Brady, the US treasury secretary, to talk the currency down during the G7 economic summit.

This raises two concerns for the bond market, both of which are likely to have most impact on the long end of the yield curve: one is a lack of enthusiasm among foreign investors, concerned about currency risk, for long-dated issues; the other is the threat of inflation implied by an effective dollar devaluation.

The latter need not, perhaps, be taken too seriously, given the generally weak state of the domestic economy. Yet the market refuses to put much faith in the long-term inflationary outlook, as underlined by the extraordinary slope of the yield curve, which is now so steep that one analyst calls it a "yield pole". The Democratic convention will do nothing to flatten it.

Martin Dickson

Notice of Early Redemption

To the Holders of

TRIBUNE COMPANY

US\$100,000,000

10 1/2% Notes Due September 9, 1995

NOTICE IS HEREBY GIVEN that, pursuant to Section 6(a) of the Fiscal and Paying Agency Agreement dated as of September 9, 1985, Tribune Company has elected to and shall redeem on September 9, 1992 (the "Redemption Date") all of the outstanding Notes, at a redemption price equal to 101 1/2% of the principal amount thereof (the "Redemption Price").

The Notes shall become due and payable on the Redemption Date at the Redemption Price which shall be paid upon presentation and surrender of the Notes together with all Coupons thereto appertaining maturing after the Redemption Date at the Paying Agents listed below.

The Notes will no longer be outstanding after the Redemption Date and interest on the Notes will cease to accrue from and after the Redemption Date and the Coupons for such interest shall be void. On and after the Redemption Date the sole right of a holder shall be to receive the Redemption Price.

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2958 Luxembourg

Morgan Guaranty Trust Company

of New York

14 Place Vendôme

Paris

Amsterdam-Rotterdam Bank NV

Herengracht 596

PO Box 1203

Amsterdam

TRIBUNE COMPANY

By: Morgan Guaranty Trust Company

as Fiscal Agent

Dated: July 13, 1992

AVESCO plc

(Incorporated and registered in England No. 1788363)

NOTICE TO HOLDERS OF BEARER SHARE WARRANTS OF ANNUAL GENERAL MEETING

AVESCO plc (the "Company") has on 10th July 1992 posted to its registered shareholders the Annual Report and Accounts for the year ended 31st March 1992. Notice of the Annual General Meeting of the Company, to be held at Venture House, Davis Road, Chessington, Surrey KT9 1TT on Thursday, 20th August 1992 at 11.00 a.m., is included with the Annual Report and Accounts, copies of which and of the Forms of Proxy for use at the Annual General Meeting are available from the registered office of the Company or from the offices of County NatWest Wood Mackenzie & Co. Limited, the addresses of which are set out below.

Important notice to holders of share warrants: you will not be entitled to attend or vote at the Annual General Meeting unless your Share Warrant and a statement in writing with your name and address is deposited on or before Tuesday, 14 August 1992 at the offices of County NatWest Wood Mackenzie & Co. Limited, 135 Bishopsgate, London EC2M 3XT. The Share Warrant shall remain so deposited until after the Meeting or any adjournment thereof shall have been held.

Registered Office: Venture House, Davis Road, Chessington, Surrey KT9 1TT

By Order of the Board
N.S. CONN
Secretary

DATED 13th July 1992

SAMSUNG SEMICONDUCTOR AND TELECOMMUNICATIONS LIMITED

US\$60,000,000 FLOATING RATE NOTES DUE 1994

GUARANTEED BY

SAMSUNG ELECTRONICS COMPANY LIMITED

For the six months from 10 July 1992 to 11 January 1993 the Notes will carry an interest rate of 6 1/2% per annum. The interest payable on the relevant interest payment date, 11 January 1993, will be US\$2,687.92 per US\$100,000 Note.

CHEMICAL BANK

Agent Bank

Industrial Credit Corporation plc

(Incorporated with limited liability in Ireland)

£3,000,000,000

Floating Rate

Guaranteed Notes

Due 1993

Unconditionally and irrevocably guaranteed by The Minister for Finance of Ireland acting for and on behalf of Ireland. Notice is hereby given that the Rate of Interest for the Interest Period from 11th July 1992 to 11th January 1993 is 5.50% per annum, interest payable on 11th January 1993 will amount to £1,598,904 per £3,000,000 principal amount of the Notes.

Agent Bank
The Long-Term Credit Bank
of Japan, Limited
Tokyo

Union Bank of Finland Ltd

¥8,000,000,000

Floating Rate Notes

Due 1994

Notice is hereby given that the Rate of Interest for the Interest Period from 11th July 1992 to 11th January 1993 is 5.50% per annum, interest payable on 11th January 1993 will amount to ¥1,598,904 per ¥3,000,000 principal amount of the Notes.

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THE WEEK AHEAD

ECONOMICS

Unease over Germany's next move

TENSION will mount this week as financial markets contemplate Thursday's Bundesbank council meeting, which may decide to tighten German monetary policy in a further bid to damp demand pressures.

The strains in the European exchange rate mechanism likely to be caused by such a move could force other European nations to increase their own interest rates, at just the time when many would like to cut rates to stimulate growth.

In the UK, the week demand due to the recession is likely to be underlined by tomorrow's release of the latest data on the prices of manufactured goods at the wholesale level.

Producers are expected to have risen by 3.5 per cent in the year to June, from 3.6 per cent in May, illustrating the strong disinflationary pressures.

On Thursday, news is expected that the underlying increase in average earnings across the UK economy reached 8.7 per cent in the year to May, compared with 7 per cent in April, another indi-

cation of declining inflation. The following are the highlights of releases of economic data over the next week. The numbers in brackets are median market projections, provided by MMS International, the financial information group.

Today: Belgium, European Community finance ministers meet in Brussels. Switzerland, monthly meeting of central bank governors from Group of Ten industrial countries, in Basel until Tuesday. Australia, May retail sales (down 1.2 per cent). Japan, June trade surplus (\$9.1bn). Spain, June consumer prices index (up 0.3 per cent on month, 6.5 per cent on year).

US, May home completions. France, markets closed until tomorrow, for holidays. Tomorrow: Japan, June wholesale prices index (down 0.2 per cent on month, down 1.5 per cent on year). May machinery orders. Australia, May housing finance. New Zealand, 2nd quarter consumer prices index. UK, May industrial production (down 0.3 per cent on year) and manufactur-

ing output (down 0.5 per cent on year, flat month-on-month). June producer prices index (flat month-on-month, up 3.5 per cent on year) and input prices for factory goods (flat month-on-month, down 1.1 per cent on year). US, June consumer prices index (up 0.3 per cent month-on-month, excluding food and energy, up by same amount). June retail sales (up 0.6 per cent on month; excluding cars, up 0.3 per cent). June real earnings (up 0.3 per cent on month, 7.1 per cent on year).

Wednesday: Japan, May industrial production. New Zealand, first quarter gross domestic product. France, June consumer prices index (up 0.2 per cent month-on-month, 3.1 per cent on year). Finland, June consumer prices index. US, June industrial production (down 0.4 per cent month-on-month) and capacity use in industry (78.6 per cent).

Thursday: Germany, Bundesbank council meets in Frankfurt, will consider new monetary targets and whether to tighten monetary policy. UK, June public sector borrowing

requirement (£3.5bn). June unemployment rise (25,000), rise in average earnings in May (6.7 per cent on year), manufacturing unit costs in May. US, June housing starts (1.2m) and building permits, initial claims for week ending July 4, money supply figures for week ending July 6 and also for June. Canada, June consumer prices index (up 0.2 per cent on month and 1.1 per cent on year).

Friday: US, May merchandise trade deficit (\$6bn), exports (\$36.5bn) and imports (\$42.5bn). Denmark, June consumer prices index (up 2.6 per cent on year). Canada, May manufacturing data.

During the week, Germany, June wholesale prices index (up 0.1 per cent on month). Italy, May industrial production (up 3.6 per cent on year). June wholesale prices index (up 3 per cent on year). June producer prices index (up 2 per cent on year). Japan, June money supply. Switzerland, June trade balance.

Peter Marsh

RESULTS DUE

OWNERS ABROAD, the holiday company, is expected to announce half-year pre-tax losses on Thursday of between £23.5m and £28m, compared to £21.4m last time.

The figures in themselves are of little interest. Holiday companies have large costs in the first half and receive most of their payments in the second.

More eagerly awaited will be a statement on high season bookings and the dangers of continuing discounting. A sluggish ses-

son could signal another price war. Tomkins, the industrial conglomerate run by Mr Greg Hutchings, is likely to report today an increase in pre-tax profits for the year ended April of around 15 per cent. The consensus forecast is £121m against £121m a year earlier.

The US continues to provide the group's growth, with the last period benefiting from a full-year contribution from Phillips Industries, now operating under

the umbrella of Tomkins Industries, the group's predominantly US arm.

While the market is always interested in where Mr Hutchings' acquisition ambitions might take him next, he is unlikely to give many clues with the results. Eile and Everard, the chemical processor and distributor reporting today, has recently suffered a minor profit downgrade to around £13m pre-tax for the year ended April from £17.5m a year earlier. The downturn

reflects the recession and a likely exceptional charge.

Wednesday is Cider Day, with Tannin Cider closing its share offer and H P Bulmer (Holdings) producing its annual figures. The latter will have the better of it. Pre-tax profits at Bulmer have risen to about £16m from £14.4m thanks to growth of the UK market. Although Tannin has enjoyed similar gains, its offer is unlikely to appeal right now to shareholders giving a wide berth to any new issue.

PARLIAMENTARY DIARY

■ TODAY Commons Questions to the National Heritage Secretary and Chancellor of the Duchy of Lancaster. Debate on report of select committee on alling of the House. Debate on select committee on alling of the House. Debate on select committee on alling of the House.

■ WEDNESDAY Commons Environment questions. Human Fertilisation and Embryology (Disclosure of Information) Bill, all stages. Education (Assisted Places) (Amendment) Regulations. VAT orders.

■ THURSDAY Commons Short backbench debates. London Boundary Commission Bill, second reading. Child Support orders. Council Tax. Benefit (General) Regulations. Horticultural Development Council (Amendment) Order. Data Protection (Regulation of Financial Services) (Subject Access Exemption) (Amendment) Order. Access to Personal Files (Housing) (Scotland) Regulations. Education (Assisted Places) (Amendment) Regulation. Debate on recruitment policies of the People's Dispensary for Sick Animals.

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CONFERENCES & EXHIBITIONS

SEPTEMBER 14-15

"Successful Selling '92" Conference and Exhibition. The premier Conference and Exhibition for sales and marketing professionals. Open to everyone in selling and sales management who wants to be more productive, more professional and more successful. Free admission to the exhibition. Contact: Institute of Sales and Marketing Management. Tel: 0182 411130. Fax: 0182 433640.

SEPTEMBER 17

Managing Organizational Change. Understanding the human and organizational implications of major change programmes is no longer a luxury. It is a managerial imperative. Participative seminar on predicting and managing the consequences of change programmes. Speakers include National Power, KPMG, Concorde, Nott & Co. Tel: 011-832 8600.

SEPTEMBER 18

Working with Regulation. A one-day conference at the London School of Economics bringing together the regulators and the regulated from the fields of electricity, gas, water, aviation, telecommunications etc. al. The main European constraints, national monopolies, quality of service, environmental concerns. Details LSE Tel: 011 955 7227. Fax: 011 955 7676.

SEPTEMBER 24

Go for Green - Reap the Rewards. Enhancing environmental practice can be a positive challenge with commercial and ethical rewards. Ignoring these issues could prove disastrous for your company. This Institute of Directors Conference is vital for all Directors, and Company Secretaries. Enquiries: Director Conference 011 730 0022.

OCTOBER 5 & 6

Latin American Capital Markets. To review growth prospects for the Latin American economies: Raising new equity, issuing new debt and stock exchange reform. Enquiries: Financial Times. Tel: 011-925 2125. Fax: 011-925 2125.

OCTOBER 7

Latin American Privatisation Programme. To assess the opportunities and risks of Latin American privatisation: Prospects for corporate restructuring and mergers and acquisitions. Enquiries: Financial Times. Tel: 011-925 2125. Fax: 011-925 2125.

OCTOBER 12 & 13

Managing Financial Risks. The Workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management. Enquiries: Financial Times. Tel: 011-925 2125. Fax: 011-925 2125.

OCTOBER 15

UK Coal '92 - Opportunities for Trade. The premier conference on the future of the UK coal industry. UK Coal '92 will examine the implications of privatisation, including the effects of introducing imports and the shift in ownership of production, distribution and sales outlets. Enquiries: Institute of Energy. Tel: 011-580 0008. Fax: 011-580 4420.

OCTOBER 16-19

Madencilik/Mining '92 - International Mining Exhibition. Representative of the Turkish and International Mining Community will meet at this four day exhibition. Exhibitors demonstrating state-of-the-art products, services and technology. Please contact Mrs Serra Talasi for further information. Tel: (901) 274 23 85/66/87. Fax: (901) 273 27 24.

OCTOBER 16-19

Computer Intelligence '92 - Strategic, Objective, Organisation. Sources, Techniques, Tools, Analysis. Seminar presented by Kik Tyson, author of "Computer Intelligence Manual & Guide". For executives and analysts with planning, business development, and research responsibilities. Also in BRUSSELS 9-9-9 October, Contact: US SA, Geneva, Switzerland. Tel: (41) 22 788 2751. Fax: (41) 22 788 2726.

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UK COMPANIES

■ TODAY

Courtauld, London Marriott Hotel, Duke Street, W., 10.45. Foster (John), Black Dyke Mills, Queensbury, Bradford, 12.30.

Goldsmiths Grp., 4, Broadgate, E.C., 12.00. Norcor, Butchers Hall, Bartholomew Close, E.C., 12.00.

PCT Grp., Gleddoch House Hotel, Langbank, Renfrewshire, 12.00.

BOARD MEETINGS: Eile & Everard, 12.00. Matthews Clark, 12.00.

Tomkins, 12.00. Interims: East German Inv. Trst. Trust of Property, 12.00.

■ TOMORROW COMPANY MEETINGS: Balf (A.H.), 100, Wood Street, E.C., 10.30.

Barrie Widge, Barrie House, Nunn Brook Road, Huthwaite, 12.00.

British Airways, Barbican Centre, Barbican, E.C., 12.00.

Cassidy Brothers, Mitcham Road, Marton, Blackpool, 3.00.

■ WEDNESDAY JULY 15 COMPANY MEETINGS: Caffyns, Hydro Hotel, Mount Road, Eastbourne, 3.00.

Finbury Tsl., Imperial Hotel, Russell Square, W.C., 12.00.

Fleming High Income Inv. Trst., Hospitality Inn, Cambridge Street, Glasgow, 12.00.

Johnson Matthey, 2-4, Cockspur Street, Trafalgar Square, S.W., 11.30.

Penna, Orion House, 5, Upper St. Martins Lane, W.C., 10.00.

Pysau, Tallow Chandlers Hall, 4, Dowgate Hill, E.C., 12.15.

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WORLD STOCK MARKETS

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CANADA

Index	High	Low	Close	Change	Index	High	Low	Close	Change	Index	High	Low	Close	Change
TORONTO	4:00 pm prices July 10	Distillates in cents unless marked \$												
257000 Concor 30s	321	185	185	185	1000 Laurier Op	55 1/4	54	54	54	35000 Acropac 7s	38	38	38	38
700														

[illegible]

	Jul 10	Jul 9	Jul 8	Jul 7	1982	
					HIGH	LOW
Auto & Motors	3803.87	3201.46	3172.31	3161.97	3238.67 (16/1)	3208.26 (9/4)
Auto Components & Metals	3447.55	3439.80	3438.40	3415.25	3466.00 (16/1)	3318.10 (9/4)
TREN Portfolio	1832.71	1826.31	1835.46	1809.63	1937.59 (16/1)	1727.04 (9/4)

The values of all indices are 100 except NYSE All Company - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/75.
 * Excluding bonds, industrial, pharmaceutical, financial and transportation. (a) Closed. (b) Available.

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TREN Portfolio	1832.71	1826.31	1835.46	1809.63	1937.59 (16/1)	1727.04 (9/4)

The values of all indices are 100 except NYSE All Company - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/75.
 * Excluding bonds, industrial, pharmaceutical, financial and transportation. (a) Closed. (b) Available.

	Jul 10	Jul 9	Jul 8	Jul 7	1982	
					HIGH	LOW
Auto & Motors	3803.87	3201.46	3172.31	3161.97	3238.67 (16/1)	3208.26 (9/4)
Auto Components & Metals	3447.55	3439.80	3438.40	3415.25	3466.00 (16/1)	3318.10 (9/4)
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	Jul 10	Jul 9	Jul 8	Jul 7	1982	
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 * Excluding bonds, industrial, pharmaceutical, financial and transportation. (a) Closed. (b) Available.

	Jul 10	Jul 9	Jul
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Will they tighten?

AFTER one of the most turbulent weeks on the foreign exchange markets this year, dealers are focused on one issue: whether the Bundesbank will tighten monetary policy at its council meeting on Thursday, writes James Bütz.

UK clearing bank has lending rate 10 per cent from May 5, 1992

There are strong indications of a feverish behind-the-scenes debate among Bundesbank members over the issue, and every chance that a tightening will take place. Those council members in favour will argue that M3 money supply now shows annual growth of around 9 per cent against an annual target range of 3.5 to 5.5 per cent.

What will the Bundesbank do? Mr Gerard Lyons, chief economist at DKB International, says the Germans are unlikely to alter the M3 target for fear of losing credibility. He believes that

there is some chance that the Bundesbank will impose limits on the amounts of funds that could be borrowed by banks at the Lombard rate. "But there is a danger that such action could result in higher money market rates and eventually force the Lombard rate to rise."

But Mr Mark Cliffe, chief economist at the Nomura research institute in London, says that a rate rise could exacerbate the growing money supply. "If events follow a similar course to the last two rate hikes and long yields fall," he says, "the effect on long term credit demand could actually be expansionary. Moreover, the effect on long term capital formation will be contractionary with short term investments becoming even more attractive."

Of course, that argument was made in reverse to explain why the Federal Reserve would not dare to cut its discount rate. Ten days ago it did. The market will have to sit this one out until Thursday afternoon.

E IN NEW YORK

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

STERLING INDEX

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

OTHER CURRENCIES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

CURRENCY RATES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

CHICAGO

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

STOCKS

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

FT-Actuaries World Indices

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

NATIONAL AND REGIONAL MARKETS

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

BASE LENDING RATES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

LONDON SHARE SERVICE

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

WORLD STOCKMARKETS

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

CURRENCY RATES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

LONDON SHARE SERVICE

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

WORLD STOCKMARKETS

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

CURRENCY RATES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

LONDON SHARE SERVICE

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

POUND SPOT - FORWARD AGAINST THE POUND

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

EXCHANGE CROSS RATES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

EURO-CURRENCY INTEREST RATES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

FT LONDON INTERBANK FIXING

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

MONEY RATES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

LONDON MONEY RATES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

FINANCIAL TIMES STOCK INDICES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

LONDON SHARE SERVICE

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

WORLD STOCKMARKETS

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

CURRENCY RATES

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

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July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

WORLD STOCKMARKETS

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
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Forward premiums and discounts apply to the US dollar

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July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1.0220
1000-1000	1.0150-1.0160	1.0140-1.0150
1000-1000	1.0100-1.0110	1.0090-1.0100
1000-1000	1.0050-1.0060	1.0040-1.0050

Forward premiums and discounts apply to the US dollar

WORLD STOCKMARKETS

July 10	Close	Previous
1000-1000	1.0220-1.0230	1.0210-1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next



MONDAY INTERVIEW

Keeper of Germany's peace

General Klaus Naumann, head of Germany's combined military forces, talks to Quentin Peel

General Klaus Naumann, the first man to be appointed Inspector-General of a united German Bundeswehr since unification, is acutely conscious that his most immediate challenges are social and political, as much as military. Other countries, such as Britain or France, may take their armed forces for granted. Germany does not.

"Germany is living in a special situation which many people do not quite understand," he says. "In the 1950s, the reason for re-armament so shortly after the war, and after the misuse of military power by a totalitarian government, was the Warsaw Pact. The threat was obvious. And now it does not exist."

"You British do not have such dramatic demolitions in your history. You have always grown up with the idea that there are British forces. But there is a great hole in our history about what constitutes a 'normal' military force."

"It is not a question which interests the simple man in the street, but is rather for the intellectual upper classes. They have a rather idealised view of international politics, that you can somehow tackle all problems without using military force."

"I understand these people, but it does not correspond to the reality of this world. I would say rather that those who are unarmed, and have no defence policy, cannot pursue any policy at all."

Two months ago, at a convention in Leipzig of more than 400 of his most senior officers, Gen Naumann delivered an extraordinary speech. Parts of the German military had become infected with "illness, paralysis and even arrogance," he charged. There was grumbling in the ranks. Others had succumbed to "whining and despondency". It was intolerable, and it had to stop.

If the German armed forces were asked tomorrow to take part in a major international peace-keeping exercise, he said, they would not be ready to do so "from a standing start".

"Haven't we allowed ourselves over the years to put on a bit of fat, to grow a little rusty?" he demanded.

It was a devastating performance, by a normally most mild-mannered man.

Gen Naumann was catapulted into the position of Inspector-General last October after only six months as a corps commander and ahead of

several more senior men.

He is quite unlike any caricature of a Prussian army officer one might expect from the German military. He is a slight man, soft-spoken, with rimless spectacles and alert, friendly eyes. He is obviously intelligent, and certainly not very frightening. At least, not until he spoke in Leipzig.

He was the personal choice of Chancellor Helmut Kohl, who had come to know him as his main military adviser during the two-plus-four negotiations between the two Germanys, and the four wartime allies, which led to German unification in 1990. At that time he impressed for his grasp of the issues, but also for his willingness to speak out.

He was also adviser during the Gulf War, when German participation over the use of force against Iraq, and its inability to participate in the operation, was widely seen as very damaging to the country's international credibility.

Gen Naumann made no secret of his concern to the Chancellor. Germany could not go on "paying but not participating," he said. It clearly struck a chord.

He has taken over the top position in the Bundeswehr at an acutely sensitive moment. The immediate problems are three, but behind them lies another, much more fundamental. The first is to reduce the size of the armed forces to 370,000 men, compared with 485,000 in the West German military alone before unification. The second task is to dismantle the former National People's Army of East Germany and integrate its remnants into the Bundeswehr, including some 3,000 of the officer corps. And the third is to carry out both those actions at a time of hefty budget cuts.

It is perhaps no wonder that there is grumbling in the ranks. More important, however, and an issue of which Gen Naumann is acutely aware, is the loss of the Bundeswehr's sole *raison d'être*: to defend Germany against the visible threat of the Warsaw Pact on its borders.

Gen Naumann knows that he has to persuade not just public opinion, but also his own officers and men, that they have a vital and valid role in the post-Cold War world.

There is a strong nationalist tendency, albeit a German body politic. It is the reason why the German constitution is interpreted as forbidding the use of



'Germany is living in a special situation'

German troops outside the Nato area. "Everyone seems to have the idea that the constitution forbids the use of German troops outside [the Nato] area. It is not true," Gen Naumann says. "But it is a political reality."

He is seeking to define a new role for the Bundeswehr which would include out-of-area operations.

His speech at Leipzig was far more than a reading of the Riot Act to his top commanders. It was also a far-reaching attempt, from a military per-

sonal file

1939 Born in Munich.

1958 Joined Bundeswehr.

1961 Colonel, on staff of German military representative to Nato military committee, Brussels.

1964 Brigade commander, armoured infantry brigade, Ellwangen.

1966 Brigadier, department head, force planning, general staff, Ministry of Defence.

1968 Major-General, head of defence policy and operations staff, Ministry of Defence.

1990 Adviser in two-plus-four negotiations before German unification.

April 1991 Lieutenant-General, commander, first German corps.

October 1991 Inspector-General of the Bundeswehr.

spective, to redefine the strategic priorities for the German armed forces.

They must no longer think in terms of confrontation, he said. The collapse of the Communist empire meant that the immediate threat of attack on Germany had been removed. But the uncertainties, and the instability in nearby neighbouring countries to the east, had increased enormously. He believes that Russia will not succeed in destroying its arsenal of chemical and tacti-

cal nuclear weapons before the year 2000. Nobody can be sure that Russia will remain politically stable for that long.

"In this new situation, the role of the German military should not be seen as an answer to an obvious threat," he says. "The task which has been set politically for us soldiers is to provide an instrument for the politicians, so that they can overcome the risks to the external security of the country, and prevent or limit any external conflicts."

Gen Naumann sees the Bundeswehr undertaking peace-keeping and peace-making operations. He is convinced that peace can only be restored if peace-making forces carry an adequate threat of force.

Within Nato, he is involved in the controversial debate over strengthening the "European pillar" of the alliance. He believes that not only Russia, but the US too, will be increasingly concerned with domestic issues in the coming years, and Europeans must take on a greater burden within Nato.

"The US as an ally and powerful economic partner will continue to find it easy to influence Europe as a friend, but no longer with such a decisive influence," he says. Nato still has to work out a lasting strategy, he says. That means developing a balanced relationship with the European Community and the Western European Union, the forum within which the EC members of Nato are seeking to develop a separate European defence identity.

The WEU, he says, should remain a bridge between Nato and the EC (as the British would like to see it). But it should also provide Europe with the means to act militarily if the US, or Canada, are not ready to do so. Hence the need to allocate forces at its disposal, headed by the Franco-German idea of a Euro-corps,

whose first purpose will be to serve the WEU, and only secondarily to serve Nato.

That is a very sensitive point, above all for the US. Gen Naumann insists there should be no conflict. "Everything we do should be directed to strengthening the European effort, complementary to Nato and compatible with Nato. We don't want to build any separate armed forces."

He is equally adamant on the question of setting up a new German national military command structure, in the unified and now sovereign Germany. It is a reorganisation which may even do away with his own title of Inspector-General and make him a "Chief of Defence Staff" like his Nato colleagues.

The process, he says, will leave Germany still totally integrated into the Nato command structure. "The name is not important," he says. "It is just like changing the label on a bottle of wine. The contents will remain the same."

A coteries of close advisers has convinced Mr Clinton that efforts to improve the education and skills of the workforce hold the key to American competitiveness in the next century. The argument - long familiar in Britain - was well

A shift of mood favours Clinton

Before his ennoblement, Mr Nigel Lawson, the former British chancellor, once explained the success of Thatcherism by referring to the tides of history. The Conservatives, he implied, had been borne aloft in the 1980s as much by powerful intellectual currents as by their own efforts. As the Democratic National Convention opens in New York, I wonder whether Governor Bill Clinton and Senator Al Gore may not benefit similarly from tidal forces of unsuppressed power.

The rise of Thatcherism coincided with a global shift towards free markets. This movement continues, but, in the US, the Democrats may benefit from a powerful cross-current. Many now believe that market forces must be supplemented by more effective social and environmental policies. The Clinton/Gore ticket neatly mirrors these anxieties. Mr Clinton has expertise in education, welfare policy and health care. Mr Gore is one of the US's leading environmentalists. Together these baby-boomers can speak with authority on the critical issues of the day.

After three years of economic stagnation, economics was bound to play a decisive role in this year's election. But fresh signs that the fragile recovery is again flagging have raised the stakes. The candidate with the most convincing plan for restoring prosperity is certain to have a powerful advantage. Mr Clinton - unlike President George Bush or Mr Ross Perot, the likely independent challenger - has a bold and potentially enormously appealing economic message for the American people, if only he can articulate it properly. It goes under the rubric of "people economics".

A coterie of close advisers has convinced Mr Clinton that efforts to improve the education and skills of the workforce hold the key to American competitiveness in the next century. The argument - long familiar in Britain - was well



MICHAEL PROWSE on America

put by Mr Robert Reich of Harvard's Kennedy School of Government in *The Work of Nations* (Knopf, 1991). Mr Reich, a fellow Rhodes scholar at Oxford with Mr Clinton, argued that capital mobility and global competition rendered traditional Democratic approaches to the economy obsolete.

Rather than focusing on measures to aid industry or promote physical investment, the US had to raise the skills and productivity of the American people - the least mobile factor of production - thus raising their wages regardless of the nationality of their employers.

Now listen to Mr Clinton outlining his "putting people first" economic strategy last month. "In the emerging global economy, everything is mobile: capital, factories, even entire industries. The only resource that's really rooted in a nation - and the ultimate source of all its wealth - is its people. The only way America can compete and win in the 21st century is to have the best educated, best trained workforce in the world..."

In proposing ways of improving workforce skills, Mr Clinton has moved well beyond the usual focus on the failings of high schools. He wants to: ● make employers invest in the training of all employees (rather than just top executives) by imposing a training levy equivalent to 1.5 per cent of payroll; ● improve access to university by allowing all qualified students to borrow from the government and repay either through a low tax on subse-

quent earnings or by serving the community for a limited period - for example as police officers or teachers;

● offer new hope for the majority of Americans who do not graduate from college by setting up a national apprenticeship programme loosely based on continental European practice.

In America, such proposals are little short of revolutionary. The argument that investing in people - all the people - will secure greater economic prosperity has a good chance of resonating with the general public. Opinion polls show that voters are confused and dismayed by the stagnation of wages since the 1970s. Mr Clinton can offer both an explanation of what went wrong and a cure that sounds plausible.

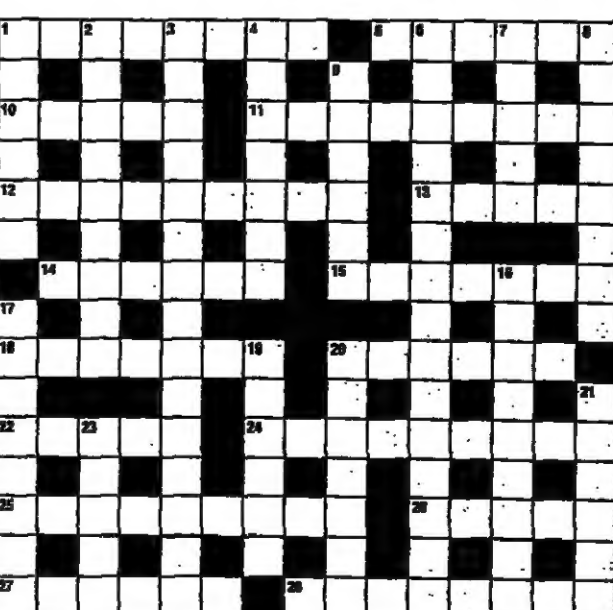
By contrast, the other candidates offer shopworn economic recipes. Mr Perot is respected for his own entrepreneurial success. But on economic policy he has advanced a succession of clichés. He talks of eliminating the \$350bn budget deficit "without breaking a sweat", yet his only concrete proposal is to cut waste, fraud and abuse. He has criticised the free-trade pact being negotiated with Mexico on the grounds that US employers cannot compete with Mexican wages. Yet simply restricting US access to cheap labour will do nothing to improve US productivity.

Mr Bush is even less inspiring. Under his stewardship, the economy has grown more slowly than at any time since the 1930s. He has lost the confidence of conservative supply-siders by acquiescing in minor tax increases and by allowing real federal domestic spending to rise at an annual rate of nearly 9 per cent during his presidency. Yet he has developed no strategy for channeling spending into productive investments, such as those proposed by the Democrats. If Mr Clinton can lay to rest doubts about his character and cogently articulate his vision of "people first" economics, he has every chance of winning in November.

JOTTER PAD

CROSSWORD

No. 7,897 Set by DANTE



- 1 It may be played on the lawn in summer (6)
2 Feel at home with nurse, so propose (6)
3 Gather in great numbers for a service (5)
4 Tributes paid to organised labour (5,4)
5 Detail of special importance - about a star? (9)
6 Rigid measure? (5)
7 Suckers for drink (6)
8 He doesn't book good players (7)
9 Composer born, I do recall in 1894 (7)
10 Arouse revolutionary tribes (6)
11 Expressions of gratitude and disapproval are forbidden (5)
12 Deft clue is an anagram I included, tricky! (9)
13 The composer is to alter translation (6)
14 Mean to get a girl (5)
15 Your first task about midnight is making a dairy product (6)
16 It was instrumental in combining rest and play (8)
17 Has the plants reordered (6)
18 Real things may make a killing (9)
19 Two tools for a pound (5,5)
20 Gambles heavily in dives (7)
21 Lay out loan for pensions (15)
22 Identical in one quality (5)
23 Didn't stay unharmed (6)
24 More suitable for one on the assembly line (8)
25 Plenty of soldiers to strengthen support (9)
26 Life after death? (8)
27 Untidy heap of discarded clothing (6)
28 Well-filled vessels (7)
29 Indistinct, and barely changes (6)
30 Begin to be a real person (5)

The appealing laws of cricket

Support and the law are not natural bedfellows. Where they do meet, in the enforcement of the rules of the game and codes of conduct, the third test match at Old Trafford with England amply demonstrated.

When the administrators of a game stray from imposing instantaneous decision-making on the field of play according to simple rules, they flounder in providing any kind of satisfaction to players, the instant audience and the wider sport loving public.

Traditionally, all sports have been controlled by a referee or an umpire (two in cricket) who interpreted the rules of the game with an unfettered discretion and without any questioning from those ruled upon. Until recently, a batsman given out accepted his fate gracefully and departed the crease instantly; the most that he might do would be to stand his ground while umpires conferred on whether a catch had been made.

Nowadays, however, dissent creeps into the game. Modern technology in the form of action replay on the television screen provides the instant or delayed opportunity for demonstrating the incorrectness of an umpire's decision. And the commercialism of the sport, upon which so much depends for individual players, serves only to feed the appetite for challenging the verdict. Since the umpire's decision cannot sensibly or in practice be reversed, any injustice of a palpably wrong decision will con-



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tinues to rattle and to cause friction both on and off the field.

Alongside the heightened importance of winning and not losing is the complication of the rules under which the game is played. The interpretation of rules about bowling bouncers led the Pakistan fast bowler, Aqib Javed, to exhibit petulance towards umpire Roy Palmer when warned (as the umpire was empowered to do) for intimidatory bowling at Devon Malcolm, his opposite, unprotected number 11 batsman.

In days gone by, any such impetuous dissent would have been passed off as of no moment or the bowler's captain would have intervened - not as Javed Miandad did, to take up his team mate's cudgels - to administer a friendly warning that untoward behaviour on the field was not tolerable. Any disciplining of a player by his captain or team manager would have been dispensed later, off the field.

But cricket captains nowadays are sometimes less com-

manding figures than of yesteryear. We may mourn the passing of the days when umpires and captains were able to maintain order on the field, and players contained any frustration they might have felt at wrong decisions. After all, there is usually a law of averages operative in which one player given out is likely to be balanced by a team mate being lucky to survive a just appeal.

Those halcyon days can be revived only if the administrators of cricket stand firm and proclaim that the umpires have absolute control of the game, including if necessary, the power to send the player off the field for any serious infringement of the rules of the game or other misbehaviour.

But, alas, cricket administrators have responded predictably to some process of adjudication external to the play. In doing so, they have failed to appreciate what regulations and rule-enforcement can usefully provide to assist an orderly game. They have not heeded the advice which lawyers could give. The international cricketing authorities have adopted a familiar technique of appointing a match referee who may conduct a post mortem on some incident that has not been immediately resolved on the field. Hence Conrad Hunte, a well-respected West Indian cricketer of the past, had to pronounce on the propriety of Roy Palmer's umpiring decision on intimidatory bowling; Aqib Javed's unseemly outburst at

being warned; and at Javed Miandad's undiplomatic intervention. The match referee's verdict was almost wholly unsatisfactory. The bowler was deservedly fined. His captain inexplicably escaped unscathed with merely a pointed request to exercise leadership in the field in the future. Unaccountably, a request in similar vein was made to the England captain. Worse was to follow. The Pakistan manager, Intikhab Alam, responded to the situation by making an unwarranted allegation that the umpire, at the end of the over, had thrown, not handed, Aqib Javed's sweater to him, suggesting "persecution" of the Pakistan team by an English umpire.

If it is considered sensible to inject a post-match system of regulation, much more attention needs to be paid to procedures and the mode of decision making. Cricketers who are subjected to this off-the-field process, involving potential criticism and even disciplining, will rightly call for proper avenues of representation before the match referee gives his verdict. And the referee's decision must be properly reasoned if satisfaction to those involved is to be achieved. This means that match referees will need to be appointed according to their abilities as adjudicators as well as for their cricketing expertise, and not solely for their past cricketing prowess.

Louis Blom-Cooper QC

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